

Cape Agulhas

MUNICIPALITY



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CAPE AGULHAS MUNICIPALITY
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[These financial statements have not been audited]

FINANCIAL STATEMENTS

30 JUNE 2014

CAPE AGULHAS LOCAL MUNICIPALITY

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CAPE AGULHAS LOCAL MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

GENERAL INFORMATION

NATURE OF BUSINESS

Cape Agulhas Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Cape Agulhas Municipality includes the following areas:

<i>Bredasdorp</i>	<i>L'Agulhas</i>	<i>Protem</i>
<i>Napier</i>	<i>Arniston</i>	<i>Klipdale</i>
<i>Struisbaai</i>	<i>Suiderstrand</i>	

MEMBERS OF THE COUNCIL

Executive Mayor	<i>RG Mitchell</i>
Executive Deputy Mayor	<i>D Jantjies</i>
Speaker	<i>E C Marthinus (Ms)</i>
Councillor - Full time	<i>M R Mokotwana</i>
Councillor - Part time	<i>P N Atyhosi (Miss)</i>
Councillor - Part time	<i>J G A Niewoudt</i>
Councillor - Part time	<i>G D Burger</i>
Councillor - Part time	<i>JA Coetzee</i>
Councillor - Part time	<i>W J October</i>

MUNICIPAL MANAGER

Mr D O'Neill

CHIEF FINANCIAL OFFICER

Mr H Van Biljon

REGISTERED OFFICE

PO Box 51, Bredasdorp, 7280

AUDITORS

Office of the Auditor General (WC)

PRINCIPLE BANKERS

ABSA, Bredasdorp

RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)
Division of Revenue Act
The Income Tax Act
Value Added Tax Act
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Planning and Performance Management Regulations
Water Services Act (Act no 108 of 1997)
Housing Act (Act no 107 of 1997)
Municipal Property Rates Act (Act no 6 of 2004)
Electricity Act (Act no 41 of 1987)
Skills Development Levies Act (Act no 9 of 1999)
Employment Equity Act (Act no 55 of 1998)
Unemployment Insurance Act (Act no 30 of 1966)
Basic Conditions of Employment Act (Act no 75 of 1997)
Supply Chain Management Regulations, 2005
Collective Agreements
Infrastructure Grants
SALBC Leave Regulations

ATTORNEYS

Luttig, Badenhorst & Fourie Attorneys

CAPE AGULHAS LOCAL MUNICIPALITY

MEMBERS OF THE CAPE AGULHAS LOCAL MUNICIPALITY

WARD	COUNCILLOR
1	Mr W J October
2	Mr D Jantjies (Executive Deputy Mayor)
3	Mr RG Mitchell (Executive Mayor)
4	Mr JGA Niewoudt
5	Mr GD Burger
Proportional	Mr MR Mokotwana (Member of Executive Mayor Committee)
Proportional	Mrs EC Marthinus (Speaker)
Proportional	Mr JA Coetzee
Proportional	Miss PN Atyhosi

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2014, which are set out on pages 1 to 79 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2015 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr D O'Neill
Municipal Manager

Date

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	2014 R (Actual)	2013 R (Restated)
NET ASSETS AND LIABILITIES			
Net Assets		291 834 632	284 469 297
Capital Replacement Reserve	2	15 750 000	16 500 000
Valuation Roll Reserve	2	-	2 000 000
Accumulated Surplus	2	276 084 632	265 969 297
Non-Current Liabilities		58 391 463	52 267 071
Long term Liabilities	3	503 546	656 142
Employee benefits	4	36 562 461	30 373 646
Non-Current Provisions	5	21 325 455	21 237 284
Current Liabilities		25 878 101	23 397 857
Consumer Deposits	6	3 643 008	3 412 296
Current Employee benefits	7	6 957 667	7 127 600
Provisions	8	2 713 221	310 511
Payables from exchange transactions	9	6 731 022	6 169 758
Unspent Conditional Government Grants and Receipts	10	5 529 399	5 954 146
Current Portion of Long-term Liabilities	3	303 785	423 546
Total Net Assets and Liabilities		376 104 196	360 134 225
ASSETS			
Non-Current Assets		335 851 476	315 650 622
Property, Plant and Equipment	12	276 472 683	254 846 101
Investment Property	13	40 694 286	40 732 816
Intangible Assets	14	564 809	520 431
Capitalised Restoration cost	15	17 756 682	19 065 201
Non-Current Investments	16	45 113	135 260
Long-Term Receivables	17	317 903	350 813
Current Assets		40 252 719	44 483 603
Inventory	18	692 167	908 680
Receivables from exchange transactions	19	15 042 831	12 761 827
Receivables from non-exchange transactions	20	2 958 302	2 390 888
Unpaid Conditional Government Grants and Receipts	10	-	3 603 367
Operating Lease Asset	21.1	69 452	64 545
Taxes	11	76 212	185 657
Current Portion of Long-term Receivables	17	6 554	6 239
Cash and Cash Equivalents	22	21 407 201	24 562 400
Total Assets		376 104 196	360 134 225

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 (Actual) R	2013 (Restated) R
REVENUE			
Revenue from Non-exchange Transactions		109 026 572	122 291 522
Taxation Revenue		39 325 113	34 763 132
Property taxes	23	39 325 113	34 763 132
Transfer Revenue		68 276 273	86 667 001
Government Grants and Subsidies - Capital	24	15 437 376	23 712 195
Government Grants and Subsidies - Operating	24	51 548 897	62 888 244
Public Contributions and Donations	51	1 290 000	66 562
Other Revenue		1 425 187	861 390
Fines		1 399 702	861 390
Third Party Payments		25 484	-
Revenue from Exchange Transactions		111 633 486	103 891 718
Service Charges	26	98 826 253	91 847 022
Rental of Facilities and Equipment		5 177 452	5 013 761
Interest Earned - external investments		1 889 339	2 049 891
Interest Earned - outstanding debtors	27	759 766	636 871
Licences and Permits		962 721	1 036 463
Agency Services		1 254 725	1 095 153
Other Income	28	2 763 231	2 212 557
Total Revenue		220 660 058	226 183 240
EXPENDITURE			
Employee related costs	29	72 810 326	68 537 363
Remuneration of Councillors	30	3 287 800	3 076 960
Debt Impairment	31	2 968 851	2 179 110
Depreciation and Amortisation	32	8 244 648	7 174 942
Impairments	33	2 484 188	262 194
Repairs and Maintenance		9 265 348	8 696 553
Actuarial losses	4	2 773 662	2 022 024
Finance Charges	34	1 141 867	664 736
Bulk Purchases	35	54 260 605	49 044 131
Contracted services		1 335 945	1 126 992
Operating Grant Expenditure	36	23 619 658	39 998 012
General Expenses	37	29 835 625	24 728 224
Loss on disposal of PPE		1 266 201	6 774 616
Total Expenditure		213 294 724	214 285 858
NET SURPLUS/(DEFICIT) FOR THE YEAR		7 365 335	11 897 382

CAPE AGULHAS LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Valuation Roll Reserve	Housing Development Fund	Capital Replacement Reserve	Accumulated Surplus	Total
	R	R	R	R	R
Balance at 1 JULY 2012	1 500 000	1 337 286	20 500 000	235 142 882	258 480 167
Correction of error - Refer to note 38.12	-	(1 337 286)	-	15 429 033	14 091 747
Restated Balance at 1 JULY 2012	1 500 000	-	20 500 000	250 571 915	272 571 915
Net Surplus for the year	-	-	-	11 897 382	11 897 382
Transfer to/from CRR	-	-	5 941 551	(5 941 551)	-
Property, Plant and Equipment purchased	-	-	(9 941 551)	9 941 551	-
Transfer to Valuation Roll Reserve	500 000	-	-	(500 000)	-
Restated Balance at 1 JULY 2013	2 000 000	-	16 500 000	265 969 297	284 469 297
Net Surplus for the year	-	-	-	7 365 335	7 365 335
Transfer to/from CRR	-	-	14 565 063	(14 565 063)	-
Property, Plant and Equipment purchased	-	-	(15 315 063)	15 315 063	-
Transfer from Valuation Roll Reserve	(2 000 000)	-	-	2 000 000	-
Balance at 30 JUNE 2014	-	-	15 750 000	276 084 632	291 834 632

CAPE AGULHAS LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 R	2013 R
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Ratepayers and other		146 823 769	140 641 398
Government		70 561 513	87 409 293
Interest		2 660 457	2 711 961
Payments			
Suppliers and employees		(191 297 583)	(198 206 235)
Finance charges	34	(1 141 867)	(664 736)
Cash generated by operations	40	27 606 289	31 891 681
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(30 565 147)	(33 248 808)
Proceeds on Disposal of Fixed Assets		-	229 958
Decrease in Long-term Receivables		32 595	29 193
Purchase of Intangible Assets		(166 290)	(451 500)
Increase in Non-Current Investments		(21 001)	(377 297)
Net Cash from Investing Activities		(30 719 844)	(33 818 454)
CASH FLOW FROM FINANCING ACTIVITIES			
New loans raised		167 611	43 969
Loans repaid		(439 968)	(399 151)
Increase in Consumer Deposits		230 712	259 594
Net Cash absorbed from Financing Activities		(41 644)	(95 588)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3 155 199)	(2 022 361)
Cash and Cash Equivalents at the beginning of the year		24 562 400	26 584 761
Cash and Cash Equivalents at the end of the year	41	21 407 201	24 562 400
NET DECREASE IN CASH AND CASH EQUIVALENTS		(3 155 199)	(2 022 361)

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014
COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final budget)	2014 R (Variance)	Explanations for material variances
ASSETS				
Current assets				
Cash	21 407 201	18 066 241	3 340 961	Variance in line with increase in payables on 30 June 2014
Consumer debtors	18 001 132	15 394 365	2 606 767	Actuals based on projected trends and legal cost debited to consumer accounts
Other Receivables	145 664	629 577	(483 913)	Impairment of legal fees (R 484 000) not taken into account in final budget,
Current portion of long-term receivables	6 554	6 239	316	Not regarded as material
Inventory	692 167	1 070 768	(378 601)	Positive variance based on actual needs and final budget based on June 2013 figures.
Total current assets	40 252 719	35 167 189	5 085 530	
Non current assets				
Long-term receivables	317 903	344 574	(26 672)	Not regarded as material
Investments	45 113	140 459	(95 346)	Not regarded as material
Investment property	40 694 286	35 706 914	4 987 373	New properties identified in current year (restated retrospectively)
Property, plant and equipment	276 472 683	264 370 579	12 102 104	New properties identified in current year (restated retrospectively)
Intangible Assets	564 809	487 662	77 147	New additions not fully budgeted for.
Capitalised Restoration Cost	17 756 682	18 650 201	(893 519)	Reduction in restoration cost due to revised legislative requirements.
Total non current assets	335 851 476	319 700 389	16 151 087	
TOTAL ASSETS	376 104 196	354 867 578	21 236 617	
LIABILITIES				
Current liabilities				
Borrowing	303 785	392 074	(88 289)	Not regarded as material
Consumer deposits	3 643 008	3 542 377	100 631	Not regarded as material
Trade and other payables	12 260 421	6 768 167	5 492 254	Increase as a result of unspent housing funds on 30 June 2014. June 2014 EFT's only released in July.
Provisions and Employee Benefits	9 670 888	6 277 602	3 393 285	Provision of pro-rata bonuses not budgeted for. Increase in cost of L'Agulhas landfill site not anticipated in budget.
Total current liabilities	25 878 101	16 980 220	8 897 881	
Non current liabilities				
Borrowing	503 546	404 837	98 710	Not regarded as material
Provisions and Employee Benefits	57 887 916	56 118 006	1 769 910	Variance mainly as a result of actuarial losses.
Total non current liabilities	58 391 463	56 522 843	1 868 620	
TOTAL LIABILITIES	84 269 564	73 503 062	10 766 501	
NET ASSETS	291 834 632	281 364 516	10 470 116	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	276 084 632	260 327 230	15 757 401	Refer to impact of reasons provided above.
Reserves	15 750 000	21 037 286	(5 287 286)	Deviation based on the disestablishment of Valuation Roll Reserve as well as the utilisation of the Housing Development Fund.
TOTAL COMMUNITY WEALTH/EQUITY	291 834 632	281 364 516	10 470 116	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Explanations for material adjustments
ASSETS				
Current assets				
Cash	9 561 454	8 504 787	18 066 241	Cash adjustment aligned with closing actual balances on 30 June 2013.
Consumer debtors	19 438 016	(4 043 651)	15 394 365	Align receivables to incorporate impact of internal debtors incorrectly included.
Other Receivables	955 036	(325 459)	629 577	Adjustment to be in line with 2013 actual figures
Current portion of long-term receivables	5 000	1 239	6 239	Not regarded as material
Inventory	1 070 768	-	1 070 768	
Total current assets	31 030 274	4 136 915	35 167 189	
Non current assets				
Long-term receivables	370 306	(25 732)	344 574	Not regarded as material
Investment property	36 591 909	(884 996)	35 706 914	Adjustment to be in line with 2013 actual figures
Property, plant and equipment	260 037 505	4 333 075	264 370 579	Adjustment to be in line with 2013 actual figures
Intangible Assets	44 463	443 199	487 662	Adjustment to be in line with 2013 actual figures
Capitalised Restoration Cost	8 910 879	9 739 322	18 650 201	Adjustment to be in line with 2013 actual figures
Total non current assets	305 955 062	13 745 327	319 700 389	
TOTAL ASSETS	336 985 336	17 882 242	354 867 578	
LIABILITIES				
Current liabilities				
Borrowing	231 599	160 475	392 074	Adjustment to be in line with 2013 actual figures
Consumer deposits	3 542 377	-	3 542 377	
Trade and other payables	8 090 774	(1 322 607)	6 768 167	Adjustment to be in line with 2013 actual figures
Provisions and Employee Benefits	5 097 515	1 180 087	6 277 602	Adjustment to be in line with 2013 actual figures
Total current liabilities	16 962 265	17 955	16 980 220	
Non current liabilities				
Borrowing	399 241	5 596	404 837	Not regarded as material
Provisions and Employee Benefits	40 831 773	15 286 233	56 118 006	Adjustment to be in line with 2013 actual figures taking into account the revised estimated for rehabilitation costs on 30 June 2013.
Total non current liabilities	41 231 014	15 291 829	56 522 843	
TOTAL LIABILITIES	58 193 279	15 309 783	73 503 062	
NET ASSETS	278 792 057	2 572 459	281 364 517	
COMMUNITY WEALTH				
Accumulated Surplus/(Deficit)	257 054 772	3 272 459	260 327 230	Refer to impact of reasons provided above.
Reserves	21 737 286	(700 000)	21 037 286	Adjustment to be in line with 2013 actual figures
TOTAL COMMUNITY WEALTH/EQUITY	278 792 057	2 572 459	281 364 517	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
REVENUE BY SOURCE				
Property rates	39 325 113	39 102 555	222 558	% Deviation not material
Service charges	98 826 253	100 057 035	(1 230 782)	% Deviation not material and as a result of decline in electricity consumption.
Rental of facilities and equipment	5 177 452	5 898 432	(720 980)	Deviation due to economic down turn i.r.o. Holiday Resorts
Interest earned - external investments	1 889 339	1 650 000	239 339	Deviation due to higher surplus cash available and interest rate than expected
Interest earned - outstanding debtors	759 766	737 230	22 536	% Deviation not material
Fines	1 399 702	1 186 416	213 286	Deviation due to implementation of IGRAP 1 on the recognition of fines
Licences and permits	962 721	1 244 013	(281 292)	Over budget in terms of actual revenue projection
Agency services	1 254 725	1 230 400	24 325	% Deviation not material
Government Grants and Subsidies - Operating	51 548 897	61 237 078	(9 688 181)	Mainly due to unspent portion of grants at year end.
Other revenue	4 078 715	4 024 953	53 762	% Deviation not material
Total Operating Revenue	205 222 682	216 368 112	(11 145 430)	
EXPENDITURE BY TYPE				
Employee related costs	72 810 326	75 510 295	(2 699 969)	Underspending due to vacant positions not filled accordingly
Remuneration of councillors	3 287 800	3 337 988	(50 188)	% Deviation not material
Debt impairment	2 968 851	1 110 000	1 858 851	Due to the increase outstanding debt as well as a decrease in collection rate.
Depreciation & asset impairment	10 728 836	7 013 631	3 715 205	Deviation due to correction of asset useful lives and additions not sufficient budgeted
Finance charges	1 141 867	1 198 966	(57 099)	% Deviation not material
Bulk purchases	54 260 605	53 325 000	935 605	% Deviation not material
Contracted services	1 335 945	977 800	358 145	Unrealistic budget estimates not aligned to actual expenditure needs.
Other expenditure	65 494 293	77 071 747	(11 577 454)	Mainly due to unspent portion of grants at year end.
Loss on disposal of PPE	1 266 201	-	1 266 201	Assets written-off and disposed for which none was budgeted
Total Operating Expenditure	213 294 724	219 545 427	(6 250 703)	
Operating Deficit for the year	(8 072 041)	(3 177 315)	(4 894 726)	
Government Grants and Subsidies - Capital	15 437 376	13 621 793	1 815 583	Deviation due to ad hoc capital grants received after adjustment budget timeframe
Net Surplus for the year	7 365 335	10 444 478	(3 079 143)	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
REVENUE BY SOURCE				
Property rates	39 102 555	-	39 102 555	
Service charges	103 280 640	(3 223 605)	100 057 035	Correction of the treatment of internal revenue.
Rental of facilities and equipment	5 898 432	-	5 898 432	
Interest earned - external investments	1 650 000	-	1 650 000	
Interest earned - outstanding debtors	737 230	-	737 230	
Fines	1 186 416	-	1 186 416	
Licences and permits	1 244 013	-	1 244 013	
Agency services	1 230 400	-	1 230 400	
Government Grants and Subsidies - Operating	62 543 333	(1 306 255)	61 237 078	Adjustment based on projected expenditure estimates for recognition
Other revenue	4 024 953	-	4 024 953	
Total Operating Revenue	220 897 972	(4 529 860)	216 368 112	
EXPENDITURE BY TYPE				
Employee related costs	77 028 667	(1 518 372)	75 510 295	Adjustment due to projected savings
Remuneration of councillors	3 337 988	-	3 337 988	
Debt impairment	1 110 000	-	1 110 000	
Depreciation & asset impairment	6 774 631	239 000	7 013 631	% Deviation not material
Finance charges	277 035	921 931	1 198 966	Adjustments necessary due to the identification of finances leases for recording. Increase in unwinding of interest on landfill site provision.
Bulk purchases	50 900 000	2 425 000	53 325 000	Adjustment due to actual expenditure projections
Contracted services	1 190 600	(212 800)	977 800	Adjustments based on projected expenditure trends
Other expenditure	82 880 621	(5 808 874)	77 071 747	Adjustments based on projected expenditure trends and unspent operating grants
Total Operating Expenditure	223 499 542	(3 954 115)	219 545 427	
Operating Deficit for the year	(2 601 570)	(575 745)	(3 177 315)	
Government Grants and Subsidies - Capital	13 416 667	205 126	13 621 793	% Deviation not material
Net Surplus/(Deficit) for the year	10 815 097	(370 619)	10 444 478	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

	2014 R (Actual)	2014 R (Final Budget)	2014 R (Variance)	Explanations for material variances
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	146 823 769	157 158 050	(10 334 281)	Increase in receivables combined with a decrease in service charges
Government	70 561 513	72 435 000	(1 873 487)	Ad hoc grants not budgeted for.
Interest	2 660 457	2 067 588	592 869	More surplus cash than anticipated
Payments				
Suppliers and Employees	(191 297 583)	(210 485 618)	19 188 035	Unspent grants at year end and cost savings
Finance charges	(1 141 867)	(1 198 966)	57 099	Not regarded as material
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>27 606 289</u>	<u>19 976 054</u>	<u>7 630 236</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current receivables	32 595	6 239	26 356	Not regarded as material
Increase in Non-Current Investments	(21 001)	-	(21 001)	Additional investment in Municipal Entity not budgeted for.
Payments				
Capital assets	(30 731 437)	(26 339 593)	(4 391 844)	Regional Bulk Infrastructure Grant expenditure to be recovered in 2013/2014
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(30 719 844)</u>	<u>(26 333 354)</u>	<u>(4 386 490)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Borrowing	167 611	-	167 611	Finance leases not budgeted for.
Increase/(decrease) in consumer deposits	230 712	130 081	100 631	Not regarded as material
Payments				
Repayment of borrowing	(439 968)	(268 939)	(171 029)	Finance leases not budgeted for.
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(41 644)</u>	<u>(138 859)</u>	<u>97 214</u>	
NET INCREASE/(DECREASE) IN CASH HELD	(3 155 199)	(6 496 159)	3 340 961	
Cash and Cash Equivalents at the beginning of the year	24 562 400	24 562 400	-	Increase as a result of unspent housing funds on 30 June 2014. June 2014 EFT's only released in July.
Cash and Cash Equivalents at the end of the year	21 407 201	18 066 241	3 340 961	

CAPE AGULHAS LOCAL MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

ADJUSTMENTS TO APPROVED BUDGET

	2014 R (Approved Budget)	2014 R (Adjustments)	2014 R (Final Budget)	Reasons for material adjustments
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts				
Ratepayers and other	160 312 864	(3 154 814)	157 158 050	Correction of internal service charges
Government	75 960 000	(3 525 000)	72 435 000	Additional ad hoc allocation received
Interest	2 067 588	-	2 067 588	
Payments				
Suppliers and Employees	(220 395 619)	9 910 001	(210 485 618)	Projected savings on expenditure
Finance charges	(277 035)	(921 931)	(1 198 966)	Adjustments necessary due to the identification of finances leases for recording. Increase in unwinding of interest on landfill site provision.
NET CASH FROM/(USED) OPERATING ACTIVITIES	<u>17 667 798</u>	<u>2 308 256</u>	<u>19 976 054</u>	
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts				
Decrease/(increase) in non-current receivables	5 000	1 239	6 239	Not regarded as material
Payments				
Capital assets	(24 484 467)	(1 855 126)	(26 339 593)	Additional ad hoc allocation received
NET CASH FROM/(USED) INVESTING ACTIVITIES	<u>(24 479 467)</u>	<u>(1 853 887)</u>	<u>(26 333 354)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts				
Increase/(decrease) in consumer deposits	200 512	(70 431)	130 081	Not regarded as material
Payments				
Repayment of borrowing	(399 764)	130 825	(268 939)	
NET CASH FROM/(USED) FINANCING ACTIVITIES	<u>(199 252)</u>	<u>60 394</u>	<u>(138 859)</u>	
NET INCREASE/(DECREASE) IN CASH HELD	<u>(7 010 921)</u>	<u>514 762</u>	<u>(6 496 159)</u>	
Cash and Cash Equivalents at the beginning of the year	16 572 374	7 990 026	24 562 400	Cash adjustment aligned with closing actual balances on 30 June 2013.
Cash and Cash Equivalents at the end of the year	9 561 453	8 504 788	18 066 241	
	<u><u> </u></u>	<u><u> </u></u>	<u><u> </u></u>	

CAPE AGULHAS LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8,10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board

The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

Standard	Description	Effective Date
GRAP 5 (Revised Feb 2013)	Borrowing Costs	1 April 2014

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2013 to 30 June 2014. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for material differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total operating expenditure. This materiality figure is from management's perspective and does not correlate with the auditor's materiality.

1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
GRAP 6 (Revised – Nov 2010)	<p>Consolidated and Separate Financial Statements</p> <p>The objective of this Standard is to prescribe the circumstances in which consolidated and separate financial statements are to be prepared and the information to be included in those financial statements so that the consolidated financial statements reflect the financial performance, financial position and cash flows of an economic entity as a single entity.</p> <p>The municipality acquired a 100% stake in an entity in the prior year. However, due to the immaterial nature of the entity's operations and the fact that the Municipality resolved to de-register the entity on 28 May 2013, no significant impact is expected when the Standard eventually becomes effective.</p>	Unknown (Original GRAP is Effective)
GRAP 8 (Revised – Nov 2010)	<p>Interest in Joint Ventures</p> <p>The objective of this Standard is to prescribe the accounting treatment of jointly controlled operations, jointly controlled assets and jointly controlled entities and to provide alternatives for the recognition of interests in jointly controlled entities.</p> <p>No significant impact is expected as the Municipality is not involved in any joint ventures.</p>	Unknown (Original GRAP is Effective)
GRAP 18 (Original – Feb 2011)	<p>Segment Reporting</p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	1 April 2015
GRAP 20 (Original – June 2011)	<p>Related Party Disclosure</p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown

GRAP 32 (Original – Aug 2013)	Service Concession Arrangements: Grantor The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public sector entity. No such transactions or events are expected in the foreseeable future.	Unknown
GRAP 100 (Revised –Feb 2013)	Discontinued Operations (formerly known as Non-current assets held for Sale and Discontinued Operations) The objective of the standard is to prescribe the treatment of discontinued operations. No significant impact expected as the municipality does not expect to have any discontinued operations in the foreseeable future.	1 April 2014
GRAP 105 (Original – Nov 2010)	Transfer of Functions Between Entities Under Common Control The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 106 (Original – Nov 2010)	Transfer of Functions Between Entities Not Under Common Control The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 107 (Original – Nov 2010)	Mergers The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger. No significant impact expected as no such transactions or events are expected in the foreseeable future.	1 April 2015
GRAP 108 (Original – Sept 2013)	Statutory Receivables The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.	Unknown

	No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.	
IGRAP 11	<p>Consolidation - Special Purpose Entities (SPE)</p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	Unknown
IGRAP 12	<p>Jointly Controlled Entities non-monetary contributions</p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	Unknown

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.8. RESERVES

1.8.1 Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The CRR must be cash backed and the Director Financial Services is delegated to determine the contribution to/from the CRR during the compilation of the annual financial statements.

1.8.2 Housing Development Fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing. This reserve was fully utilised in prior years.

1.8.3 Valuation Roll Reserve

The aim of this reserve is to ensure sufficient cash resources are available to undertake a General Valuation as per the Municipal Property Rates Act. This reserve was released to accumulated surplus in the current year.

1.9. LEASES

1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.9.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

1.10. GOVERNMENT GRANTS AND RECEIPTS

1.10.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.10.2 Unpaid Conditional Government Grants and Receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.11. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits or service potential will be required to settle the

obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be de-recognised..

1.13. EMPLOYEE BENEFITS

(a) *Post-Retirement Medical Obligations*

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service

element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically, unless circumstances change significantly in which case it is done annually, by independent qualified actuaries.

(c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

(e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or

increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

(f) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

(g) Other Short-term Employee Benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.15. PROPERTY, PLANT AND EQUIPMENT

1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-

monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
<u>Infrastructure</u>		<u>Other</u>	
Streets and Stormwater	8 – 100	Buildings	100
Solid Waste	10 – 64	Specialist vehicles	12-30
Electricity	10 - 64	Other vehicles	10-15
Water	12 - 102	Office equipment	2-30
Sewerage and sanitation	13 - 89	Furniture and fittings	10-30
		Tools and equipment	5 - 30
		Equipment	5-50
<u>Community</u>		Tables	10 - 30
Recreational Facilities	5-50	Chairs	10-30
Clinics	100	Computer equipment	10
Halls	10 – 100	Landfill Sites	9 – 68
Libraries	10-100		
Parks and gardens	30		
Sport Facilities	10-100		

Finance lease assets

Office equipment	3 – 5
Vehicles	5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.16. INTANGIBLE ASSETS

1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5
Computer Software Licenses	5

1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17. INVESTMENT PROPERTY

1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality

accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	Years
Buildings	100
Land	Indefinite

1.17.4 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18. NON-CURRENT ASSETS HELD FOR SALE

1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's

gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.21. INVENTORIES

1.21.1 Initial Recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories shall be recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.21.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network. Water inventory is recognised at cost.

Cost of land held for sale is assigned by using specific identification of their individual costs

1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

1.22.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. , Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.22.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.22.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments

1.22.3 De-recognition of Financial Instruments

1.22.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at

fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.22.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.22.4 *Offsetting of Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.23. REVENUE

1.23.1 *Revenue from Non-Exchange Transactions*

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons are issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, is a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. . The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units.

Service charges relating to refuse removal are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage.

Service charges from sanitation (sewerage) are recognised on an annual basis in advance by applying the approved tariff to each property that has improvements.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.24. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,

- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
 - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
 - both entities are joint ventures of the same third party.
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
 - the entity is controlled or jointly controlled by a person identified in (a).
 - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

Post-Retirement Medical Obligations and Long Service Awards

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support

the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Management referred to the following when making assumptions regarding useful lives of intangible assets:

- Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

Provisions and Contingent liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the

municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

Componentisation of infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

1.29. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

1.30. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.31. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
2 NET ASSET RESERVES		
RESERVES	291 834 632	284 469 297
Capital Replacement Reserve	15 750 000	16 500 000
Valuation Roll Reserve	-	2 000 000
Accumulated Surplus	276 084 632	265 969 297
Total Net Asset Reserve and Liabilities	291 834 632	284 469 297
3 LONG TERM LIABILITIES		
Annuity Loans - At amortised cost	559 910	698 721
Capitalised Lease Liability - At amortised cost	247 421	380 967
Balance previously reported		367 130
Correction of error - Refer to note 38.01		13 837
	807 331	1 079 687
Less: Current Portion transferred to Current Liabilities	303 785	423 546
Annuity Loans - At amortised cost	160 467	138 864
Capitalised Lease Liability - At amortised cost	143 318	284 682
Balance previously reported		275 098
Correction of error - Refer to note 38.01		9 584
Total Long-term Liabilities - At amortised cost using the effective interest rate method	503 546	656 142
Annuity loans at amortised cost is calculated at 15.00% interest rate a maturity date of 30 June 2017.		
The obligations under annuity loans are scheduled below:		
	Minimum annuity payments	
Amounts payable under annuity loans:		
Payable within one year	238 724	238 724
Payable within two to five years	477 180	715 942
	715 904	954 666
Less: Future finance obligations	(155 994)	(255 946)
Present value of annuity obligations	559 910	698 721
The obligations under finance leases are scheduled below:		
	Minimum lease payments	
Amounts payable under finance leases:		
Payable within one year	157 571	307 272
Payable within two to five years	112 152	99 163
	269 723	406 434
Less: Future finance obligations	(22 302)	(25 467)
Present value of lease obligations	247 421	380 967
Leases are secured by property, plant and equipment - Note 12		
4 EMPLOYEE BENEFITS		
Post Retirement Benefits - Refer to Note 4.2	31 880 012	26 574 560
Long Service Awards - Refer to Note 4.3	4 682 449	3 799 086
Total Non-current Employee Benefit Liabilities	36 562 461	30 373 646
<u>Post Retirement Benefits</u>		
Balance 1 July	27 264 704	23 046 325
Contribution for the year	3 817 731	3 204 815
Expenditure for the year	(718 854)	(646 958)
Actuarial Loss	2 273 367	1 660 522
Total post retirement benefits 30 June	32 636 948	27 264 704
Less: Transfer of Current Portion - Note 7	(756 936)	(690 144)
Balance 30 June	31 880 012	26 574 560

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Long Service Awards</u>		
Balance 1 July	4 074 905	3 324 864
Contribution for the year	669 006	658 861
Expenditure for the year	(230 626)	(270 322)
Actuarial Loss/(Gain)	500 295	361 502
Total long service 30 June	5 013 580	4 074 905
Less: Transfer of Current Portion - Note 7	(331 131)	(275 819)
Balance 30 June	4 682 449	3 799 086

TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July	31 339 609	26 371 189
Contribution for the year	4 486 737	3 863 676
Expenditure for the year	(949 480)	(917 280)
Actuarial Loss/(Gain)	2 773 662	2 022 024
Total employee benefits 30 June	37 650 528	31 339 609
Less: Transfer of Current Portion - Note 7	(1 088 067)	(965 963)
Balance 30 June	36 562 461	30 373 646

4.1 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

CAPE JOINT PENSION FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in an sound financial position with a funding level of 99.70% (30 June 2012 - 99.40%).

Contributions paid recognised in the Statement of Financial Performance	116 197	56 128
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CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund is in a sound financial position with a funding level of 105.1% (30 June 2012 - 108.0%).

Contributions paid recognised in the Statement of Financial Performance	5 915 234	5 206 002
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DEFINED CONTRIBUTION FUNDS

Council contribute to the Municipal Council Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	256 397	242 553
SAMWU National Provident Fund	833 419	807 876
	1 089 816	1 050 429

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

4.2 Post Retirement Benefits

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2014 R	2013 R
In-service (employee) members	94	92
In-service (employee) non-members	196	194
Continuation members (e.g. Retirees, widows, orphans)	23	23
Total Members	313	309

The liability in respect of past service has been estimated to be as follows:

In-service members	20 294 416	16 097 224
Continuation members	12 342 532	11 167 480
Total Liability	32 636 948	27 264 704

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
Total Liability	23 046 325	20 733 698	16 704 011

Experience adjustments were calculated as follows:

	2014 R m	2013 R m	2011 R m
Liabilities: (Gain) / loss	(0.085)	0.878	0.544
Assets: Gain / (loss)	-	-	-

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;
LA Health
Hosmed
Samwumed; and
Keyhealth.

The Future-service Cost for the ensuing year is estimated to be R 1 681 639, whereas the Interest- Cost for the next year is estimated to be R 2 970 825.

Key actuarial assumptions used:

	2014 %	2013 %
i) Rate of interest		
Discount rate	9.21%	8.99%
Health Care Cost Inflation Rate	8.34%	7.72%
Net Effective Discount Rate	0.80%	1.18%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

It has been assumed that in-service members will retire at age 65, which then implicitly allows for expected rates of early and ill-health retirement.

iv) Valuation reports

The last valuation was performed on 22 July 2014.

The amounts recognised in the Statement of Financial Position are as follows:

	2014 R	2013 R
Present value of fund obligations	32 636 948	27 264 704
Net liability	32 636 948	27 264 704

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	27 264 704	23 046 325
Total expenses	3 098 877	2 557 857
Current service cost	1 396 352	1 220 237
Interest Cost	2 421 379	1 984 578
Benefits Paid	(718 854)	(646 958)
Actuarial losses	2 273 367	1 660 522
Present value of fund obligation at the end of the year	32 636 948	27 264 704
Less: Transfer of Current Portion - Note 7	(756 936)	(690 144)
Balance 30 June	31 880 012	26 574 560

Sensitivity Analysis on the Accrued Liability

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Central Assumptions	20.294	12.343	32.637	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Health care inflation	1%	25.619	13.816	39.435	21%
Health care inflation	-1%	16.200	11.084	27.285	-16%
Discount rate	1%	16.260	11.103	27.363	-16%
Discount rate	-1%	25.629	13.819	39.448	-21%
Post-retirement mortality	-1 year	21.072	12.808	33.880	4%
Average retirement age	-1 year	22.207	12.343	34.550	6%
Continuation of membership at retirement	-10%	17.976	12.343	30.318	-7%

Assumption	Change	Current-service Cost (R m)	Interest Cost (R m)	Total (R m)	% change
Central Assumption		1.396	2.421	3.818	

The effect of movements in the assumptions are as follows:

Health care inflation	1%	1.763	2.902	4.666	22%
Health care inflation	-1%	1.116	2.040	3.156	-17%
Post-retirement mortality	-1 year	1.447	2.510	3.957	4%
Average retirement age	-1 year	1.446	2.560	4.006	5%
Withdrawal Rate	-50%	1.611	2.594	4.205	10%

4.3 Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 290 (2013 - 281) employees were eligible for Long Service Bonuses.

The Future-service Cost for the ensuing year is estimated to be R 376 150, whereas the Interest cost for the next year is estimated to be R 401 580.

	2014 %	2013 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	8.28%	7.69%
General Salary Inflation (long-term)	7.30%	6.87%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	0.91%	0.76%

The discount rate used is a composite of all government bonds and is calculated using a technique is known as "bootstrapping"

ii) Valuation reports

The last valuation was performed on 22 July 2014.

	2014 R	2013 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	5 013 580	4 074 905
Net liability	5 013 580	4 074 905

The liability is unfunded.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2012 R	2011 R	2010 R
Total Liability	3 324 864	2 983 946	2 288 169

Experience adjustments were calculated as follows:

	2014 R	2013 R	2011 R
Liabilities: (Gain) / loss	624 617	116 176	128 794
Assets: Gain / (loss)	-	-	-

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	4 074 905	3 324 864
Total expenses	438 380	388 539
Current service cost	366 131	406 541
Interest Cost	302 875	252 320
Benefits Paid	(230 626)	(270 322)
Actuarial losses	500 295	361 502
Present value of fund obligation at the end of the year	5 013 580	4 074 905
Less: Transfer of Current Portion - Note 7	(331 131)	(275 819)
Balance 30 June	4 682 449	3 799 086

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		5.014	
The effect of movements in the assumptions are as follows:			
General salary inflation	1%	5.450	9%
General salary inflation	-1%	4.626	-8%
Discount Rate	1%	4.611	-8%
Discount Rate	-1%	4.476	9%
Average retirement age	-2 yrs	4.402	-12%
Average retirement age	2 yrs	5.549	11%
Withdrawal rates	-50%	5.983	19%

Assumption	Change	Current-service Cost (Rm)	Interest Cost (Rm)	Total (Rm)	% change
Central Assumption		0.366	0.303	0.669	
The effect of movements in the assumptions are as follows:					
General salary inflation	1%	0.405	0.331	0.736	10%
General salary inflation	-1%	0.333	0.278	0.611	-9%
Average retirement age	-1 year	0.329	0.268	0.596	-11%
Average retirement age	-1 year	0.400	0.336	0.736	10%
Withdrawal rates	-50%	0.478	0.366	0.844	26%

5	NON-CURRENT PROVISIONS	2014 R	2013 R
	Provision for Rehabilitation of Landfill-sites	21 325 455	21 237 284

Landfill Sites

Balance 1 July	21 547 795	11 048 936
Increase in Estimate	1 476 364	9 998 781
Unwinding of discounted interest	1 014 517	500 078
Total provision 30 June	24 038 676	21 547 795
Less: Transfer of Current Portion to Current Provisions - Note 8	(2 713 221)	(310 511)
Balance 30 June	21 325 455	21 237 284

The municipality has an obligation to rehabilitate the following landfill sites at the end of the expected useful life of the asset. Details of the sites are as follows:

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
<u>Location</u>	<u>Estimated decommission date</u>		
Bredasdorp	2066	10 350 681	9 851 875
Napier	2055	3 029 578	3 200 366
Waenhuiskrans	2055	2 324 116	2 516 563
Struisbaai	2055	5 621 080	5 668 479
L'Agulhas	2009 (Over due)	2 713 221	310 511
		<u>24 038 676</u>	<u>21 547 795</u>

6 CONSUMER DEPOSITS

Electricity	2 304 568	2 161 057
Water	1 338 441	1 251 239
Total Consumer Deposits	<u>3 643 008</u>	<u>3 412 296</u>
Guarantees held in lieu of Electricity and Water Deposits	<u>-</u>	<u>-</u>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

	2014 R	2013 R
7 CURRENT EMPLOYEE BENEFITS		
Current Portion of Post Retirement Benefits - Note 4	756 936	690 144
Current Portion of Long-Service Provisions - Note 4	331 131	275 819
Performance Bonuses	535 746	583 089
Staff Leave	3 518 532	3 953 031
Bonuses	1 628 061	1 441 738
Balance previously reported	-	-
Correction of error - Refer to note 38.06	1 441 738	-
Pension	187 261	183 779
Balance previously reported	-	-
Correction of error - Refer to note 38.06	183 779	-
Total Current Employee Benefits	<u>6 957 667</u>	<u>7 127 600</u>

The movement in current employee benefits are reconciled as follows:

Performance Bonuses

Balance at beginning of year	583 089	544 751
Contribution to current portion	380 261	561 299
Expenditure incurred	(427 604)	(522 961)
Balance at end of year	<u>535 746</u>	<u>583 089</u>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

Staff Leave

Balance at beginning of year	3 953 031	2 960 094
Contribution to current portion	79 052	1 391 434
Expenditure incurred	(513 551)	(398 497)
Balance at end of year	<u>3 518 532</u>	<u>3 953 031</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Bonuses

Balance at beginning of year	1 441 738	1 282 317
Contribution to current portion	2 767 291	2 925 254
Expenditure incurred	(2 580 968)	(2 765 833)
Balance at end of year	<u>1 628 061</u>	<u>1 441 738</u>

Bonuses are being paid to all permanent municipal staff, excluding section 57 Managers. The balance at year end represent to portion of the bonus that have already vested for the current salary cycle.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Pension

	2014 R	2013 R
Balance at beginning of year	183 779	118 803
Contribution to current portion	65 590	64 975
Expenditure incurred	(62 108)	-
Balance at end of year	<u>187 261</u>	<u>183 779</u>

The municipality resolved in line with the bargaining council agreement to provide lump sum pension fund payments to all municipal staff that were not afforded the opportunity (before 1 January 1995) to contribute to a pension fund. The balance also includes a portion where the municipality did not provide for increases in pension fund payments.

8 PROVISIONS

Current Portion of Rehabilitation of Landfill-sites - Note 5	2 713 221	310 511
Total Provisions	<u>2 713 221</u>	<u>310 511</u>

9 PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	3 199 842	1 861 038
Pre-Paid Electricity	166 891	145 383
Debtors with credit balances	887 332	1 148 223
Sundry Creditors	601 774	662 674
Balance previously reported		429 545
Correction of error - refer to note 38.07		61 239
Payments received in advance	-	219 439
Retentions	1 487 089	1 763 438
Balance previously reported		1 598 972
Correction of error - refer to note 38.07		164 465
Sundry Deposits	388 094	369 563
Total Trade Payables	<u>6 731 022</u>	<u>6 169 758</u>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include Hall, Builders and Housing Deposits.

10 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unspent Grants	5 529 399	5 954 146
Provincial Government Grants	5 529 399	5 535 360
Other Grant Providers	-	418 786
Less: Unpaid Grants	-	3 603 367
National Government Grants	-	3 603 367
Total Conditional Grants and Receipts	<u>5 529 399</u>	<u>2 350 779</u>
Balance Previously Reported		2 601 790
Correction of error - Refer to note 38.09		(251 011)
		<u>2 350 779</u>

See appendix "F" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

11 TAXES

VAT Payable	1 387 839	1 347 645
VAT Receivable	(1 464 051)	(1 533 301)
	<u>(76 212)</u>	<u>(185 657)</u>
Balance previously reported		(181 657)
Correction of error - Refer to note 38.08		(4 000)
		<u>(185 657)</u>

VAT is payable/receivable on the cash basis.

CAPE AGULHAS MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

12 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2014

Reconciliation of Carrying Value

	Opening Balance R	Cost Additions R	Disposals R	Closing Balance R	Opening Balance R	Accumulated Depreciation and Impairment Losses Additions R	Disposals R	Closing Balance R	Carrying Value R
Land and Buildings	71 846 923	-	214 000	71 632 923	9 810 819	244 918	22 248	10 033 490	61 599 433
Land	48 982 988	-	115 000	48 867 988	-	-	-	-	48 867 988
Buildings	22 863 935	-	99 000	22 764 935	9 810 819	244 918	22 248	10 033 490	12 731 445
Infrastructure	193 083 790	23 311 370	33 160	216 361 999	36 360 869	4 822 219	15 481	41 167 607	175 194 392
Roads and Storm water	60 366 131	11 211 894	-	71 578 025	8 023 549	1 547 665	-	9 571 214	62 006 811
Electricity Network	44 292 290	4 208 019	33 160	48 467 149	8 362 227	1 293 669	15 481	9 640 415	38 826 733
Sewerage Network	42 380 163	7 670 031	-	50 050 194	5 477 613	854 160	-	6 331 773	43 718 421
Water Network	43 991 090	175 882	-	44 166 972	13 315 254	1 052 220	-	14 367 474	29 799 499
Refuse Removal	2 054 116	45 543	-	2 099 659	1 182 226	74 505	-	1 256 731	842 928
Community Assets	9 788 669	4 665 542	9 640	14 444 570	996 111	220 047	6 331	1 209 827	13 234 743
Recreation Grounds	2 945 699	-	-	2 945 699	553 765	123 162	-	676 927	2 268 772
Community Halls	4 833 509	4 124 289	-	8 957 797	151 975	32 300	-	184 275	8 773 522
Libraries	1 038 044	493 253	-	1 531 297	99 325	34 992	-	134 316	1 396 980
Parks & Gardens	423 877	-	-	423 877	89 882	12 715	-	102 597	321 281
Clinics	97 995	-	-	97 995	9 808	980	-	10 787	87 207
Sports facilities	419 545	-	9 640	409 905	90 872	15 400	6 331	99 941	309 964
Cemeteries	30 000	48 000	-	78 000	485	499	-	984	77 016
Lease Assets	1 764 806	167 611	1 066 700	865 717	1 227 909	169 716	1 022 800	374 825	490 892
Leased Assets - Office Machines	1 764 806	167 611	1 066 700	865 717	1 227 909	169 716	1 022 800	374 825	490 892
Other Assets	35 320 613	2 420 625	2 010 594	35 730 643	8 562 991	2 245 463	1 031 033	9 777 420	25 953 223
Vehicles	11 684 860	-	139 564	11 545 296	2 709 842	939 776	37 721	3 611 897	7 933 399
Tools & Equipment	4 046 471	475 798	716 170	3 806 099	1 271 694	314 049	287 351	1 298 392	2 507 708
Furniture	1 527 700	249 712	14 152	1 763 260	245 666	78 293	4 995	318 964	1 444 296
Special Vehicles	3 346 366	-	-	3 346 366	666 126	62 839	-	728 965	2 617 401
Tables	898 595	-	14 863	883 732	191 662	30 938	4 775	217 824	665 908
Chairs	520 086	74 586	9 684	584 988	194 921	37 473	4 340	228 054	356 934
Office Equipment	1 797 399	184 776	127 318	1 854 857	585 862	153 148	68 539	670 470	1 184 386
Computer Hardware	3 279 369	250 423	436 173	3 093 619	852 816	332 362	298 686	886 492	2 207 127
Civic Land and Buildings	4 042 098	1 107 407	566	5 148 939	386 892	74 123	29	460 986	4 687 953
Other	4 177 669	77 922	552 104	3 703 486	1 457 509	222 461	324 596	1 355 375	2 348 111
	311 804 799	30 565 147	3 334 095	339 035 852	56 958 698	7 702 364	2 097 893	62 563 168	276 472 683

CAPE AGULHAS MUNICIPALITY
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

30 JUNE 2013

Reconciliation of Carrying Value

	Cost				Accumulated Depreciation and Impairment Losses				Carrying Value
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R
Land and Buildings	76 658 055	631 867	5 443 000	71 846 923	9 792 284	254 234	235 699	9 810 819	62 036 103
Land	52 323 200	182 788	3 523 000	48 982 988	-	-	-	-	48 982 988
Buildings	24 334 855	449 080	1 920 000	22 863 935	9 792 284	254 234	235 699	9 810 819	13 053 115
Infrastructure	166 155 694	26 928 096	-	193 083 790	32 067 707	4 293 162	-	36 360 869	156 722 921
Roads and Storm water	52 392 684	7 973 447	-	60 366 131	6 680 029	1 343 520	-	8 023 549	52 342 582
Electricity Network	42 391 736	1 900 554	-	44 292 290	7 133 450	1 228 777	-	8 362 227	35 930 063
Sewerage Network	33 311 758	9 068 404	-	42 380 163	4 640 175	837 438	-	5 477 613	36 902 550
Water Network	36 005 400	7 985 690	-	43 991 090	12 506 183	809 071	-	13 315 254	30 675 836
Refuse Removal	2 054 116	-	-	2 054 116	1 107 871	74 355	-	1 182 226	871 890
Community Assets	7 444 729	2 343 939	-	9 788 669	777 860	218 251	-	996 111	8 792 558
Recreation Grounds	2 556 388	389 311	-	2 945 699	431 220	122 545	-	553 765	2 391 934
Community Halls	2 937 638	1 895 870	-	4 833 509	119 772	32 203	-	151 975	4 681 534
Libraries	1 038 044	-	-	1 038 044	64 863	34 462	-	99 325	938 719
Parks & Gardens	365 119	58 758	-	423 877	77 521	12 361	-	89 882	333 996
Clinics	97 995	-	-	97 995	8 828	980	-	9 808	88 187
Sports facilities	419 545	-	-	419 545	75 472	15 400	-	90 872	328 673
Cemeteries	30 000	-	-	30 000	185	300	-	485	29 515
Lease Assets	2 250 623	43 969	529 787	1 764 806	1 304 496	169 634	246 222	1 227 909	536 897
Leased Assets - Vehicles	517 787	-	517 787	-	233 233	10 054	243 287	-	-
Leased Assets - Office Machines	1 732 836	43 969	12 000	1 764 806	1 071 263	159 580	2 935	1 227 909	536 897
Other Assets	33 238 313	3 300 936	1 218 636	35 320 613	7 142 360	2 015 841	595 211	8 562 991	26 757 622
Vehicles	10 000 848	1 844 526	160 514	11 684 860	2 027 867	744 024	62 049	2 709 842	8 975 018
Tools & Equipment	3 987 884	315 733	257 146	4 046 471	1 116 286	301 729	146 321	1 271 694	2 774 778
Furniture	1 238 080	302 602	12 982	1 527 700	182 900	65 585	2 818	245 666	1 282 034
Special Vehicles	3 346 366	-	-	3 346 366	603 287	62 839	-	666 126	2 680 240
Tables	928 578	-	29 982	898 595	165 630	32 002	5 970	191 662	706 933
Chairs	556 140	-	36 054	520 086	173 231	37 385	15 695	194 921	325 165
Office Equipment	1 861 924	201 844	266 369	1 797 399	564 741	168 444	147 324	585 862	1 211 537
Computer Hardware	2 994 654	612 805	328 090	3 279 369	749 415	278 715	175 315	852 816	2 426 553
Civic Land and Buildings	4 042 098	-	-	4 042 098	316 882	70 010	-	386 892	3 655 206
Other	4 233 332	7 816	63 480	4 177 669	1 240 105	252 922	35 518	1 457 509	2 720 159
Furniture and Office Equipment - CAMLEDA	48 410	15 610	64 020	-	2 016	2 186	4 202	-	-
	285 747 414	33 248 808	7 191 423	311 804 799	51 084 707	6 951 122	1 077 131	56 958 698	254 846 101
Balance Previously reported	277 607 080	33 202 246	7 263 446	303 545 880	53 484 032	6 589 158	1 121 424	58 951 766	244 594 114
Correction of error - Refer to note 38.04	8 140 335	46 562	(72 023)	8 258 919	(2 399 324)	361 965	(44 293)	(1 993 067)	10 251 987
	285 747 414	33 248 808	7 191 423	311 804 799	51 084 707	6 951 122	1 077 131	56 958 698	254 846 101

The following work in progress balances are included in PPE

	2014	2013
Roads and Storm water	6 761 922	2 566 615
Electricity Network	433 248	203 801
Sewerage Network	1 262 664	16 383 295
	8 457 834	19 153 711

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

13 INVESTMENT PROPERTY

	2014 R	2013 R
Net Carrying amount at 1 July	40 732 816	41 626 346
Balance previously reported		36 597 378
Correction of error - Refer to note 38.03		5 028 968
Depreciation for the year	(8 530)	(8 530)
Balance previously reported		(2 730)
Correction of error - Refer to note 38.03		(5 800)
Disposals	(30 000)	(885 000)
Net Carrying amount at 30 June	40 694 286	40 732 816
Cost	40 796 800	40 826 800
Accumulated Depreciation	(102 514)	(93 984)

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

14 INTANGIBLE ASSETS

Computer Software

Net Carrying amount at 1 July	520 431	113 806
Acquisitions	166 290	451 500
Transfer to Southernmost Development Agency (Soc) Ltd	-	(5 282)
Amortisation	(121 912)	(39 593)
Net Carrying amount at 30 June	564 809	520 431
Cost	774 025	607 735
Accumulated Amortisation	(208 416)	(87 305)

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

15 CAPITALISED RESTORATION COST

Net Carrying amount at 1 July	19 065 201	9 262 274
Additions	2 423 048	9 998 781
Disposals	(946 684)	-
Depreciation	(411 843)	(175 697)
Impairments	(2 373 040)	(20 157)
Net Carrying amount at 30 June	17 756 682	19 065 201
Cost	21 010 136	19 533 772
Accumulated Depreciation	(824 810)	(412 967)
Accumulated Impairments	(2 428 644)	(55 604)

16 NON-CURRENT INVESTMENTS

Unlisted

Municipal Entity - Southernmost Development Agency (Soc) Ltd	45 113	135 260
Cost	398 298	377 297
Provision for Impairment	(353 186)	(242 037)
Balance previously reported		140 459
Correction of error - Refer to note 38.05		(5 199)
		135 260

The Municipality acquired a 100% shareholding in Southernmost Development Agency (Soc) Ltd on 23 October 2012. The initial purpose of the entity was to promote economic development in the municipal area. However, the municipality resolved on 28 May 2013 not to further its objective of economic development through this Municipal Entity.

Although a decision has been taken by Council to dissolve the entity, the administrative procedures and steps to de-register the legal structure was not completed on 30 June 2014.

A provision for Impairment was raised to reduce the carrying value of the investment in line with the net assets held by the entity on 30 June 2014.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
17 LONG-TERM RECEIVABLES		
Loans to organisations - at amortised cost	10 994	17 232
Individual housing loans	313 463	339 819
	324 457	357 052
Less: Current portion transferred to current receivables	(6 554)	(6 239)
Loans to organisations - at amortised cost	(6 554)	(6 239)
Total Long Term Receivables	317 903	350 813
18 INVENTORY		
Consumable Stores - Stationery and materials - At cost	667 532	878 650
Water – At cost	24 635	30 030
Total Inventory	692 167	908 680
No inventory assets were pledged as security for liabilities.		
19 RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Service Receivables	21 393 541	18 647 806
Electricity	9 712 443	8 880 406
Water	4 080 236	3 462 471
Refuse	1 665 317	1 456 326
Sewerage	1 189 953	949 392
Other Services	4 745 592	3 899 212
	1 441 005	505 392
Other Receivables		
Asset Sales	484 853	484 853
Payments in Advance	763 363	-
Other Arrears	192 790	20 539
Balance previously reported		(40 700)
Correction of error - Refer to note 38.1		61 239
Total Service Receivables	22 834 547	19 153 198
Less: Allowance for Doubtful Debts	(7 791 716)	(6 391 371)
Net Service Receivables	15 042 831	12 761 827
Included in the outstanding balances are consumer debtors to the value of R 580 714 (2013 - R405 259), who have made arrangements to repay their outstanding debt over a re-negotiated period.		
Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary		
Ageing of Receivables from Exchange Transactions		
<u>(Electricity): Ageing</u>		
Current (0 - 30 days)	7 709 121	7 007 698
31 - 60 Days	686 046	640 594
61 - 90 Days	98 144	107 879
+ 90 Days	1 219 131	1 124 235
Total	9 712 443	8 880 406
<u>(Water): Ageing</u>		
Current (0 - 30 days)	1 589 889	1 511 416
31 - 60 Days	359 459	283 849
61 - 90 Days	143 841	148 246
+ 90 Days	1 987 048	1 518 960
Total	4 080 236	3 462 471
<u>(Refuse): Ageing</u>		
Current (0 - 30 days)	637 633	586 031
31 - 60 Days	141 392	129 641
61 - 90 Days	53 712	51 936
+ 90 Days	832 579	688 718
Total	1 665 317	1 456 326

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>(Sewerage): Ageing</u>		
Current (0 - 30 days)	393 948	345 602
31 - 60 Days	107 169	86 964
61 - 90 Days	46 030	38 405
+ 90 Days	642 805	478 421
Total	1 189 953	949 392

<u>(Other): Ageing</u>		
Current (0 - 30 days)	1 566 704	1 317 458
31 - 60 Days	403 392	301 242
61 - 90 Days	215 639	108 619
+ 90 Days	2 559 858	2 171 893
Total	4 745 592	3 899 212

<u>(Total): Ageing</u>		
Current (0 - 30 days)	11 897 295	10 768 205
31 - 60 Days	1 697 459	1 442 290
61 - 90 Days	557 366	455 084
+ 90 Days	7 241 422	5 982 227
Total	21 393 541	18 647 806

Reconciliation of the doubtful debt provision

Balance at beginning of the year	6 391 371	5 061 200
Contributions to provision	2 028 439	1 624 572
Doubtful debts written off against provision	(628 095)	(294 401)
Balance at end of year	7 791 716	6 391 371

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Electricity	1 424 833	1 259 101
Water	1 734 655	1 296 322
Refuse	796 624	639 878
Sewerage	593 694	438 670
Other Services	2 757 058	2 272 548
Other Receivables	484 853	484 853
	7 791 716	6 391 371

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

20

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Service Receivables	5 019 758	3 805 488
Rates	5 019 758	3 805 488
Other Receivables	846 816	424 074
Unpaid Fines	841 780	-
Staff	5 036	5 288
Trust Account - IDC Grant	-	418 786
	5 866 575	4 229 562
Less: Allowance for Doubtful Debts	(2 908 273)	(1 838 674)
	2 958 302	2 390 888

Ageing of Receivables from Non-Exchange Transactions

<u>(Rates): Ageing</u>		
Current (0 - 30 days)	1 781 423	1 408 369
31 - 60 Days	456 886	220 898
61 - 90 Days	108 126	89 383
+ 90 Days	2 673 323	2 086 838
Total	5 019 758	3 805 488

Debts are required to be settled after 30 days, interest is charged after this date at prime +1%.

The fair value of receivables approximates their carrying amounts.

Due to the prospective application of the revised IGRAP 1, the municipality raised a receivable as well as an impairment charge on unpaid fines in the current year. This also resulted in a significant increase in fines revenue recognised in the statement of financial performance when compared to the comparative year.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Reconciliation of the doubtful debt provision</u>		
Balance at beginning of the year	1 838 674	1 136 945
Contributions to provision	1 090 186	702 706
Doubtful debts written off against provision	(20 588)	(976)
Balance at end of year	2 908 273	1 838 674

The Provision for Impairment could be allocated between the different classes of receivables as follows:

Rates	2 419 775	1 838 674
Fines	488 498	-
	2 908 273	1 838 674

In determining the recoverability of a receivable, the Municipality considers any change in the credit quality of the trade receivable from the date the credit was initially granted, up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

21 OPERATING LEASE ARRANGEMENTS

21.1 The Municipality as Lessor

Balance on 1 July	64 545	48 588
Movement in lease asset for the year	4 907	15 958
Balance on 30 June	69 452	64 545

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	460 777	344 676
1 to 5 Years	581 691	673 473
More than 5 Years	69 565	120 969
Total Operating Lease Arrangements	1 112 034	1 139 119

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2021.

22 CASH AND CASH EQUIVALENTS

Assets

Primary Bank Account	11 393 101	24 549 700
Call and Notice Deposits	10 000 000	-
Cash Floats	14 100	12 700
Total Cash and Cash Equivalents - Assets	21 407 201	24 562 400

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Cash and cash equivalents are held to fund the following commitments:

Unspent Conditional Grants	5 529 399	5 954 146
Capital Replacement Reserve	15 750 000	16 500 000
Valuation Roll Reserve	-	2 000 000
	21 279 399	24 454 146

A bank overdraft facility of R2 000 000 exists at ABSA.

Guarantees are held at ABSA and Nedbank in the name of the following entities :

Building of dam (Nedbank)	-	7 000
The Post Office	50 000	50 000
	50 000	57 000

The municipality has the following bank accounts:

Current Accounts

Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account)	11 393 101	24 549 700
	11 393 101	24 549 700

Bredasdorp ABSA - Account number 40 5883 2586 (Primary Bank Account)

Cash book balance at beginning of year	24 549 700	26 572 061
Cash book balance at end of year	11 393 101	24 549 700
	21 931 361	24 827 306
Bank statement balance at beginning of year	21 931 361	24 827 306
Bank statement balance at end of year	11 158 873	21 931 361

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
<u>Call and Notice Deposits</u>		
Call and Notice deposits consist out of the following accounts:		
Investec - Acc.no.1100 458527 451 (32 Day Notice)	10 000 000	-
	<u>10 000 000</u>	<u>-</u>
23 PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	39 475 102	34 888 980
Residential, Commercial Property, State	39 475 102	34 888 980
<u>Less: Rebates</u>	(149 989)	(125 848)
Total Assessment Rates	<u>39 325 113</u>	<u>34 763 132</u>
<u>Valuations</u>		
Rateable Land and Buildings		
Residential	6 685 236 700	6 316 469 100
Business & Commercial	553 822 000	532 867 400
Public benefit Organizations	88 341 000	60 837 000
State-owned	267 886 000	177 251 000
Agricultural	2 430 074 000	1 263 773 600
Other	492 906 200	436 869 150
Total Assessment Rates	<u>10 518 265 900</u>	<u>8 788 067 250</u>
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted.		
Rebates on Income - Basic Rate:		
Single Tariff (Excluding Agricultural)	0.004809 c / R	0.004715 c / R
Agricultural Land	0.001202 c / R	0.001179 c / R
Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
24 GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional Grants	18 057 000	16 877 000
Equitable Share	18 057 000	16 877 000
Conditional Grants	48 929 273	69 723 439
Grants and donations	48 770 273	66 478 118
Subsidies	159 000	3 245 321
Total Government Grants and Subsidies	<u>66 986 273</u>	<u>86 600 439</u>
Government Grants and Subsidies - Capital	15 437 376	23 712 195
Government Grants and Subsidies - Operating	51 548 897	62 888 244
	<u>66 986 273</u>	<u>86 600 439</u>
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	18 057 000	16 877 000
Executive and Council	43 597 985	62 377 406
Corporate Services	538 899	321 361
Community and Social Services	4 633 389	3 779 351
Road Transport	159 000	3 245 321
	<u>66 986 273</u>	<u>86 600 439</u>
The municipality does not expect any significant changes to the level of grants.		
24.01 Equitable share		
Opening balance	-	-
Grants received	18 057 000	16 877 000
Conditions met - Operating	(18 057 000)	(16 877 000)
Conditions still to be met	<u>-</u>	<u>-</u>
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
24.02 Local Government Financial Management Grant (FMG)		
Opening balance	-	(1 212)
Grants received	1 300 000	1 250 000
Conditions met - Operating	(1 300 000)	(1 248 788)
Conditions still to be met/(Grant expenditure to be recovered)	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.03 Municipal Systems Improvement Grant (MSIG)

Opening balance	-	3 710
Grants received	890 000	800 000
Conditions met - Operating	(317 974)	(132 704)
Conditions met - Capital	(572 026)	(671 006)
Conditions still to be met	<u>-</u>	<u>-</u>

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

24.04 Municipal Infrastructure Grant (MIG)

Opening balance	-	-
Grants received	10 209 000	10 284 000
Conditions met - Operating	(1 449 041)	(1 705 121)
Conditions met - Capital	(8 759 959)	(8 578 879)
Grant expenditure to be recovered	<u>-</u>	<u>-</u>

The grant was used to upgrade infrastructure in previously disadvantaged areas.

24.05 Regional Bulk Infrastructure Grant (RBIG)

Opening balance	(3 362 502)	(3 801)
Grants received	5 558 000	5 557 971
Conditions met - Operating	(269 623)	(1 081 840)
Conditions met - Capital	(1 925 875)	(7 834 832)
Grant expenditure to be recovered	<u>0</u>	<u>(3 362 502)</u>

The grant was used to upgrade infrastructure in the municipal area.

24.06 Skills Development Fund

Opening balance	-	-
Grants received	774 005	321 361
Conditions met - Operating	(774 005)	(321 361)
Conditions still to be met	<u>-</u>	<u>-</u>

The skills Development fund is utilised to provide training.

24.07 National Electrification Programme (INEP)

Opening balance	(240 866)	-
Grants received	3 200 000	1 000 000
Transfers	-	(425 158)
Conditions met - Capital	(49 403)	(815 707)
Conditions still to be met	<u>-</u>	<u>(240 866)</u>

The National Electrification Grant was used to upgrade the sub-station and electrification network.

24.08 Expanded Public Works Program (EPWP)

Opening balance	-	-
Grants received	1 000 000	1 000 000
Conditions met - Operating	(1 000 000)	(293 694)
Conditions met - Capital	-	(706 306)
Conditions still to be met	<u>-</u>	<u>-</u>

This program is aimed at providing poverty en income relief through the creation of temporary work opportunities.

24.09 Library Grant

Opening balance	821 359	-
Grants received	4 511 330	4 163 000
Conditions met - Operating	(3 696 214)	(3 241 918)
Conditions met - Capital	(915 008)	(99 723)
Conditions still to be met	<u>721 466</u>	<u>821 359</u>

The library grants is utilised to fund the cost of providing library services within the mincipal area

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
24.1 Proclaimed road subsidy		
Opening balance	-	(1 330 079)
Grants received	159 000	4 575 400
Conditions met - Operating	(159 000)	(3 245 321)
Grant expenditure to be recovered	-	-
	<u>-</u>	<u>-</u>
The subsidy is utilised to upgrade the provincial road network in the municipal area.		
24.11 Housing Grants		
Opening balance	3 712 523	(696 843)
Grants received	21 442 614	40 972 562
Transfers	-	425 158
Conditions met - Operating	(18 051 567)	(34 207 782)
Conditions met - Capital	(2 443 394)	(2 780 572)
Conditions still to be met/(Grant expenditure to be recovered)	<u>4 660 176</u>	<u>3 712 523</u>
Housing grants was utilised for the development of erven and the erection of top structures.		
24.1 Department of Agriculture, Forestry and Fisheries		
Opening balance	-	-
Grants received	3 000 000	-
Conditions met - Operating	(2 927 961)	-
Conditions still to be met	<u>72 039</u>	<u>-</u>
The municipality received funds from the Department of Agriculture, Forestry and Fisheries to perform initial investigations into the establishment of an Abalone farm in the municipal area.		
24.12 IDC - Pre Establishment Grant		
Opening balance	418 786	831 297
Interest Received	11 353	25 199
Conditions met - Operating	(1 165)	(109 902)
Conditions met - Capital	(21 001)	(327 807)
Funds returned to grant provider	(407 973)	-
Conditions still to be met	<u>-</u>	<u>418 786</u>
This grant is utilised to fund the pre-establishment and start-up phase of the municipal development agency, Southernmost Development Agency (Soc) Ltd. The municipality resolved on 28 May 2013 to not further economic development through the agency. Subsequently, the remainder of the funds received from the IDC were paid back on 28 February 2014.		
24.13 Other Grants		
Opening balance	1 001 477	2 713 652
Grants received	460 564	608 000
Conditions met - Operating	(635 616)	(422 813)
Conditions met - Capital	(750 709)	(1 897 362)
Conditions still to be met	<u>75 717</u>	<u>1 001 477</u>
Various grants were received from other spheres of government (e.g. Library fund and Skills Development)		
24.14 Total Grants		
Opening balance	2 350 779	1 516 725
Grants received	70 561 513	87 409 293
Interest Received	11 353	25 199
Conditions met - Operating	(51 548 897)	(62 888 244)
Conditions met - Capital	(15 437 376)	(23 712 195)
Funds returned to grant provider	(407 973)	-
Conditions still to be met/(Grant expenditure to be recovered)	<u>5 529 399</u>	<u>2 350 779</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	5 529 399	5 954 146
Unpaid Conditional Government Grants and Receipts	-	(3 603 367)
	<u>5 529 399</u>	<u>2 350 779</u>
25 PUBLIC CONTRIBUTIONS AND DONATIONS		
Blue Bay Infrastructure - Refer to note 51	1 290 000	-
Department of Cultural Affairs and Sport	-	46 562
Mubesko Africa CC	-	20 000
	<u>1 290 000</u>	<u>66 562</u>
26 SERVICE CHARGES		
Electricity	69 613 564	65 091 523
Water	16 950 471	16 175 128
Refuse removal	10 495 455	9 534 228
Sewerage and Sanitation Charges	7 534 105	6 335 557
	<u>104 593 595</u>	<u>97 136 437</u>
Less: Rebates	(5 767 343)	(5 289 415)
Total Service Charges	<u>98 826 253</u>	<u>91 847 022</u>

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
27 INTEREST EARNED - OUTSTANDING DEBTORS		
Interest earned on service accounts	622 553	536 942
Penalty interest imposed on Property Rates	137 213	99 929
Total Interest Earned	759 766	636 871
28 OTHER INCOME		
Connections - Electricity	668 923	538 553
Connections - Water	209 313	199 388
Building Plan Fees	428 049	429 064
Garden Refuse Removal	277 421	243 707
Sundry Income	1 179 525	801 846
Total Other Income	2 763 231	2 212 557

Other income represents sundry income such as administration income, building plans and legal income.

29 EMPLOYEE RELATED COSTS		
Long Service Awards	669 006	658 861
Post Retirement Medical	3 817 731	3 204 815
Employee related costs - Salaries and Wages	48 681 446	45 993 676
Group Life Insurance	809 640	821 471
Housing Subsidy	385 776	384 259
Leave Reserve Fund	79 052	1 391 434
Overtime	2 977 963	2 379 686
Employee related costs - Contributions for UIF, pensions and medical aids	9 611 798	8 447 929
Standby Allowances	1 498 125	1 393 947
Travel, motor car, telephone, assistance and other allowances	4 279 788	3 861 285
Total Employee Related Costs	72 810 326	68 537 363

KEY MANAGEMENT PERSONNEL

All Managers are appointed on a 5-year contract, except for the current Chief Financial Officer (Mr H van Biljon) who is appointed on a 3 and a half year contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager - D O'Neill (September 2013 - June 2014)

Annual Remuneration	729 512	-
Car Allowance	90 570	-
Subsistence and Travel	3 729	-
SALGA contribution	64	-
Contribution to Group Insurance	15 626	-
Contributions to UIF, Medical and Pension Funds	168 185	-
Total	1 007 685	-

Remuneration of the Municipal Manager - R Stevens

Annual Remuneration	74 635	829 113
Performance Bonuses	147 732	137 998
Car Allowance	7 199	77 984
Subsistence and Travel	-	1 491
SALGA contribution	6	71
Contribution to Group Insurance	1 881	20 894
Contributions to UIF, Medical and Pension Funds	16 428	186 947
Total	247 881	1 254 498

Remuneration of the Manager: Community Services - KM Mrali (August 2013 - June 2014)

Annual Remuneration	540 480	-
Travelling Allowance	118 727	-
Subsistence and Travel	6 954	-
SALGA contribution	70	-
Contribution to Group Insurance	11 763	-
Contributions to UIF, Medical and Pension Funds	130 588	-
Total	808 581	-

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

		2014 R	2013 R
Remuneration of the Manager: Corporate Services - S Ngwevu			
Annual Remuneration		629 019	580 026
Performance Bonuses		85 517	79 898
Travelling Allowance		99 241	89 090
Subsistence and Travel		27 921	37 393
SALGA contribution		76	71
Contribution to Group Insurance		13 870	14 617
Contributions to UIF, Medical and Pension Funds		139 563	124 523
Total		995 206	925 618
Remuneration of the Manager: Civil Engineering Services - N Kotze			
Annual Remuneration		636 200	587 208
Performance Bonuses		108 839	101 688
Travelling Allowance		83 637	95 306
Subsistence and Travel		4 803	5 612
SALGA contribution		76	71
Contribution to Group Insurance		14 028	14 798
Contributions to UIF, Medical and Pension Funds		158 992	149 174
Total		1 006 576	953 858
Remuneration of the Chief Financial Officer - PJ Van Biljon (February 2014 - June 2014)			
Annual Remuneration		296 374	-
Car Allowance		65 144	-
Subsistence and Travel		7 641	-
SALGA contribution		32	-
Contribution to Group Insurance		-	-
Contributions to UIF, Medical and Pension Funds		68 617	-
Total		437 807	-
Remuneration of the Chief Financial Officer - H Schlebusch (July 2013 - October 2013)			
Annual Remuneration		216 452	600 362
Performance Bonuses		85 517	101 688
Car Allowance		16 000	54 947
Subsistence and Travel		-	15 017
SALGA contribution		25	71
Contribution to Group Insurance		5 227	15 129
Contributions to UIF, Medical and Pension Funds		45 676	127 953
Total		368 897	915 168
30	REMUNERATION OF COUNCILLORS		
Executive Mayor	R G Mitchell	676 660	624 472
Executive Deputy Mayor	D Jantjies	528 739	503 552
Speaker	E C Marthinus	528 739	503 552
Councillor - Full time	M R Mokotwana	497 027	476 503
Councillor - Part time	P N Atyhosi	211 327	193 776
Councillor - Part time	J G A Niewoudt	211 327	193 776
Councillor - Part time	G D Burger	211 327	193 776
Councillor - Part time	J A Coetzee	211 327	193 776
Councillor - Part time	W J October	211 327	193 776
Total Councillors' Remuneration		3 287 800	3 076 960
In-kind Benefits			
The Executive Mayor, Deputy Executive Mayor, Speaker and one mayoral committee member are full-time. They are provided with secretarial support and an office each at the cost of the Council.			
31	DEBT IMPAIRMENT		
Receivables from exchange transactions - Refer to note 19		2 028 439	1 624 572
Receivables from non-exchange transactions - Refer to note 20		1 090 186	702 706
Total Contribution to Impairment Provision/(Reversal of provision)		3 118 626	2 327 278
Less VAT included in contribution for the year		(149 775)	(148 168)
Debt impairment recognised in statement of financial performance		2 968 851	2 179 110
32	DEPRECIATION AND AMORTISATION		
Property Plant & Equipment		7 702 364	6 951 122
Landfill Sites		411 843	175 697
Investment Property		8 530	8 530
Intangible Assets		121 912	39 593
		8 244 648	7 174 942
33	IMPAIRMENTS		
Investment in Municipal Entity - Southernmost Development Agency (Soc) Ltd		111 148	242 037
Landfill Sites		2 373 040	20 157
		2 484 188	262 194

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

34	FINANCE CHARGES	2014 R	2013 R
	Long-term Liabilities	99 915	118 651
	Finance leases	27 434	46 007
	Landfill Sites	1 014 517	500 078
	Total finance charges	1 141 867	664 736
35	BULK PURCHASES		
	Electricity	53 634 995	48 523 300
	Water	625 609	520 831
	Total Bulk Purchases	54 260 605	49 044 131
36	OPERATING GRANT EXPENDITURE		
	Proclaimed Roads	105 753	3 812 967
	Electrification	549 533	-
	Financial and Systems Management	1 443 239	1 285 756
	Housing	18 051 567	34 207 782
	Development Agency Pre-Establishment Costs	1 165	99 151
	Other	3 468 401	592 355
	Total Operating Grant Expenditure	23 619 658	39 998 012
37	GENERAL EXPENSES		
	Advertising	166 860	290 569
	Advertising & Tourism	706 200	706 200
	Audit Committee Allowances	60 781	68 726
	Audit fees	2 597 240	1 680 494
	Bank Charges	561 378	636 706
	Chemicals	1 123 947	1 060 602
	Cleaning material	165 917	229 906
	Cleaning projects	110 707	52 274
	Cleaning services & washing	64 629	59 428
	Computer Services & License fees	1 642 346	1 255 732
	Contributions - Pensioners	164 657	235 370
	Donations	99 000	104 960
	Entertainment costs	142 387	162 698
	Free Basic Electricity and Indigent Subsidy	527 521	506 722
	Fuel Cost	3 128 962	2 595 046
	Holiday Programmes & Entertainment	375 919	320 397
	Housing Development Fund	400 000	597 000
	Human Development	301 150	217 883
	Insurance	371 764	419 679
	Legal fees	1 768 104	1 350 806
	License fees - Radios	10 200	28 649
	License fees - Vehicles	115 055	100 503
	Local Economic Development	49 615	118 211
	Oil & Lubricants	40 564	52 977
	Postage	521 593	468 472
	Printing & Stationery	916 984	843 382
	Professional & Consultancy fees	879 477	1 038 749
	Protective Clothing	309 295	193 555
	Public Communication	278 683	444 144
	Recruiting Costs	227 582	146 207
	Refuse Bags	375 015	395 507
	Rental Paid	670 246	445 245
	Security Services	676 350	520 360
	Service Charges	539 736	597 495
	Service connections - new	192 343	279 017
	Social assistance	28 000	26 045
	Socio-Economic Development	159 856	204 363
	Structure - & Zoning planning	107 407	-
	Subscriptions - Organisations	675 701	573 264
	Subsistence & Travel Allowances	554 374	442 797
	Telephone costs	1 392 310	1 335 337
	Training & Development - Staff	1 685 647	354 786
	Training Levy	606 588	547 874
	Union Representative	19 241	16 289
	Valuation Costs	525 233	439 855
	Ward Committees	553 756	507 694
	Workmens Compensation Contributions	421 466	337 170
	Other	2 823 839	1 719 082
	General Expenses	29 835 625	24 728 224

General expenses contains administrative and technical expenses otherwise not provided for in the line-items of the Statement of Financial performance. This include items such as telecommunications, travelling, legal fees, auditing fees and consulting fees.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

38	CORRECTION OF ERROR IN TERMS OF GRAP 3	2013 R
38.01	LONG-TERM LIABILITIES	
	Balance previously reported	678 582
	Recognise finance lease previously not recognised during 2011/2012 - Refer to note 38.04	27 359
	Recognise capital redemption on finance leases up to 30 June 2012 previously not recognised - Refer to note 38.12	(4 760)
	Recognise capital redemption on finance leases during 2012/2013 previously not recognised - Refer to note 39	(8 762)
	Correction of current portion of finance leases on 30 June 2013 - Refer to note 38.02	(9 584)
		682 836
38.02	CURRENT PORTION OF LONG TERM-LIABILITIES	
	Balance previously reported	413 962
	Correction of current portion of finance leases on 30 June 2013 - Refer to note 38.01	9 584
		423 546
38.03	INVESTMENT PROPERTY	
	Balance previously reported	35 709 648
	Recognise investment properties previously not recognised up to 30 June 2012	5 023 168
	Effect on Cost - Refer to note 38.12	5 058 000
	Effect on Accumulated Depreciation up to 30 June 2012 - Refer to note 38.12	(29 032)
	Effect on Accumulated Depreciation up to 30 June 2013 - Refer to note 39	(5 800)
		40 732 816
38.04	PROPERTY PLANT AND EQUIPMENT	
	Balance previously reported	244 594 114
	Recognise finance lease previously not recognised during 2011/2012 - Refer to note 38.01	27 359
	Recognise assets transferred from Department of Cultural Affairs and Sport previously not recognised during 2012/2013 - Refer to note 39	46 562
	Effect on Furniture	934
	Effect on Office Equipment	13 761
	Effect on Computer Hardware	31 866
	Recognise Other Assets previously not recognised - Refer to note 38.12	4 168 871
	Effect on Vehicles	26 665
	Effect on Tools & Equipment	16 318
	Effect on Furniture	3 413
	Effect on Special Vehicles	365 668
	Effect on Chairs	1 733
	Effect on Office Equipment	16 444
	Effect on Computer Hardware	9 964
	Effect on Other	1 710
	Effect on Land	2 623 000
	Effect on Buildings	968 000
	Effect on Infrastructure Electricity Network	135 958
	Recognise accumulated depreciation on assets previously not recognised up to 30 June 2012 - Refer to note 38.12	(165 756)
	Effect on Vehicles	(8 893)
	Effect on Tools & Equipment	(8 050)
	Effect on Furniture	(823)
	Effect on Special Vehicles	(38 804)
	Effect on Chairs	(578)
	Effect on Office Equipment	(8 016)
	Effect on Computer Hardware	(4 985)
	Effect on Other	(221)
	Effect on Leased Assets - Office Machines	(1 589)
	Effect on Buildings	(48 453)
	Effect on Infrastructure Electricity Network	(45 344)
	Recognise depreciation on assets previously not recognised during 2012/2013 - Refer to note 39	(36 204)
	Effect on Vehicles	(1 778)
	Effect on Tools & Equipment	(1 580)
	Effect on Furniture	179
	Effect on Special Vehicles	(6 275)
	Effect on Chairs	(116)
	Effect on Office Equipment	(2 601)
	Effect on Computer Hardware	(2 481)
	Effect on Other	(73)
	Effect on Leased Assets - Office Machines	(2 736)
	Effect on Buildings	(9 680)
	Effect on Infrastructure Electricity Network	(9 064)
	Effect on Infrastructure Roads and Storm water	(9 064)
	Remove duplicate assets incorrectly included in asset register - Refer to note 38.12	(197 596)
	Effect on Land	(31 000)
	Effect on Buildings	(163 000)
	Effect on Office Equipment	(3 596)
	Remove accumulated depreciation up to 30 June 2012 on duplicate assets incorrectly included in asset register - Refer to note 38.12	41 716
	Effect on Buildings	38 417
	Effect on Office Equipment	3 299

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013
	R
Remove depreciation up to 30 June 2013 on duplicate assets incorrectly included in asset register - Refer to note 39	1 870
Effect on Buildings	1 630
Effect on Office Equipment	240
Reversal of assets incorrectly disposed of on 30 June 2013 - Refer to note 39	27 730
Effect on Tools & Equipment (Cost)	49 905
Effect on Furniture (Cost)	11 276
Effect on Chairs (Cost)	8 939
Effect on Office Equipment (Cost)	313
Effect on Other (Cost)	1 589
Effect on Tools & Equipment (Accumulated Depreciation)	(38 766)
Effect on Furniture (Accumulated Depreciation)	(1 880)
Effect on Chairs (Accumulated Depreciation)	(3 308)
Effect on Office Equipment (Accumulated Depreciation)	(73)
Effect on Other (Accumulated Depreciation)	(265)
Correction of depreciation up to 30 June 2012 (incorrect usefull lifes allocated to assets) - Refer to note 38.12	984 415
Effect on Buildings	391 246
Effect on Computer Hardware	74 593
Effect on Leased Assets - Office Machines	1 256
Effect on Office Equipment	14 686
Effect on Other	60 119
Effect on Tools & Equipment	38 265
Effect on Recreation Grounds	5 337
Effect on Parks & Gardens	1 284
Effect on Infrastructure Roads and Storm water	192 136
Effect on Infrastructure Electricity Network	5 050
Effect on Infrastructure Sewerage Network	14 141
Effect on Infrastructure Water Network	145 957
Effect on Infrastructure Refuse Removal	40 346
Correction of depreciation during 2012/2013 (incorrect usefull lifes allocated to assets) - Refer to note 39	4 858
Effect on Buildings	(31 975)
Effect on Computer Hardware	7 411
Effect on Leased Assets - Office Machines	(538)
Effect on Office Equipment	1 365
Effect on Other	1 723
Effect on Tools & Equipment	1 253
Effect on Recreation Grounds	578
Effect on Parks & Gardens	(258)
Effect on Infrastructure Roads and Storm water	21 543
Effect on Infrastructure Electricity Network	33
Effect on Infrastructure Sewerage Network	1 005
Effect on Infrastructure Water Network	(1 029)
Effect on Infrastructure Refuse Removal	3 748
Correction of low voltage network incorrectly unbundled in previous years	4 751 586
Effect on Infrastructure Electricity Network (Cost) - Refer to note 38.12	4 141 701
Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2012) - Refer to note 38.12	926 239
Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2013) - Refer to note 39	(316 354)
Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded	596 577
Effect on depreciation up to 30 June 2012 - Refer to note 38.12	612 710
Effect on depreciation up to 30 June 2013 - Refer to note 39	(16 134)
	254 846 101
38.05 NON-CURRENT INVESTMENTS	
Balance previously reported	140 459
Correction of impairment recognised on investment due to asset incorrectly recorded in the records of the municipal entity - Refer to note 39	(5 199)
	135 260
38.06 CURRENT EMPLOYEE BENEFITS	
Balance previously reported	5 502 083
Recognise staff bonuses previously not recognised	1 441 738
Effect up to 30 June 2012 - Refer to note 38.12	1 282 317
Effect during 2012/2013 - Refer to note 39	159 421
Correction of lump sum pension fund payments previously not recognised	129 858
Effect up to 30 June 2012 - Refer to note 38.12	74 922
Effect during 2012/2013 - Refer to note 39	54 936
Recognise pension fund increases previously not granted to GF Muller	53 921
Effect up to 30 June 2012 - Refer to note 38.12	43 881
Effect during 2012/2013 - Refer to note 39	10 039
	7 127 600

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2013
	R
38.07 PAYABLES FROM EXCHANGE TRANSACTIONS	
Balance previously reported	5 772 164
Correction of Retentions incorrectly removed from retention listing on 30 June 2012 - Refer to note 38.12	164 465
Payable outstanding to the Department of Transport and Public Works incorrectly included under receivables - Refer to note 38.1	61 239
Correction of Department of Transport and Public Works account	171 890
Effect on Taxes - Refer to note 38.08	4 000
Effect on income and expenditure during 2012/2013 - Refer to note 39	28 183
Effect on income and expenditure up to 30 June 2012 - Refer to note 38.12	139 707
	6 169 758
38.08 TAXES	
Balance previously reported	(181 657)
Correction of Department of Transport and Public Works account - Refer to note 38.07	(4 000)
	(185 657)
38.09 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS	
Balance previously reported	6 205 157
Housing expenditure prior to 30 June 2012 incorrectly not recovered from grant funding - Refer to note 38.12	(251 011)
	5 954 146
38.10 RECEIVABLES FROM EXCHANGE TRANSACTIONS	
Balance previously reported	12 554 163
Payable outstanding to the Department of Transport and Public Works incorrectly included under receivables - Refer to note 38.07	61 239
	12 615 402
38.11 HOUSING DEVELOPMENT FUND	
Balance previously reported	1 337 286
Housing fund previously not utilised for housing development expenditure (2007 - 2009) - Refer to note 38.12	(1 337 286)
	-
38.12 ACCUMULATED SURPLUS	
Recognise capital redemption on finance leases up to 30 June 2012 previously not recognised - Refer to note 38.01	4 760
Recognise Other Assets previously not recognised - Refer to note 38.04	4 168 871
Recognise accumulated depreciation on assets previously not recognised up to 30 June 2012 - Refer to note 38.04	(165 756)
Correction of depreciation up to 30 June 2012 (incorrect useful lives allocated to assets) - Refer to note 38.04	984 415
Remove duplicate assets incorrectly included in asset register - Refer to note 38.04	(197 596)
Remove accumulated depreciation up to 30 June 2012 on duplicate assets incorrectly included in asset register - Refer to note 38.04	41 716
Correction of Retentions incorrectly removed from retention listing on 30 June 2012 - Refer to note 38.07	(164 465)
Housing fund previously not utilised for housing development expenditure (2007 - 2009) - Refer to note 38.11	1 337 286
Housing expenditure prior to 30 June 2012 incorrectly not recovered from grant funding - Refer to note 38.09	251 011
Correction of lump sum pension fund payments previously not recognised - Refer to note 38.06	(74 922)
Recognise staff bonuses previously not recognised - Refer to note 38.06	(1 282 317)
Recognise pension fund increases previously not granted to GF Muller - Refer to note 38.06	(43 881)
Correction of Department of Transport and Public Works account - Refer to note 38.07	(139 707)
Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded - Refer to note 38.04	612 710
Correction of low voltage network incorrectly unbundled in previous years	5 067 940
Effect on Infrastructure Electricity Network (Cost) - Refer to note 38.04	4 141 701
Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2012) - Refer to note 38.04	926 239
Recognise investment properties previously not recognised up to 30 June 2012	5 028 968
Effect on Cost - Refer to note 38.03	5 058 000
Effect on Accumulated Depreciation up to 30 June 2012 - Refer to note 38.03	(29 032)
	15 429 033
39 CHANGES IN STATEMENT OF FINANCIAL PERFORMANCE IN TERMS OF GRAP 3	
Balance previously reported	12 439 871
Recognise capital redemption on finance leases during 2012/2013 previously not recognised - Refer to note 38.01	8 762
Effect on general expenses	10 440
Effect on finance charges	(1 678)
Correction of impairment recognised on investment due to asset incorrectly recorded in the records of the municipal entity - Refer to note 38.05	(5 199)
Recognise assets transferred from Department of Cultural Affairs and Sport previously not recognised during 2012/2013 - Refer to note 38.04	46 562
Recognise depreciation on assets previously not recognised during 2012/2013 - Refer to note 38.04	(36 204)
Remove depreciation up to 30 June 2013 on duplicate assets incorrectly included in asset register - Refer to note 38.04	1 870
Reversal of assets incorrectly disposed of on 30 June 2013 - Refer to note 38.04	27 730
Correction of depreciation during 2012/2013 (incorrect useful lives allocated to assets) - Refer to note 38.04	4 858
Correction of lump sum pension fund payments previously not recognised - Refer to note 38.06	(54 936)
Recognise staff bonuses previously not recognised - Refer to note 38.06	(159 421)
Recognise pension fund increases previously not granted to GF Muller - Refer to note 38.06	(10 039)
Correction of depreciation charges on infrastructure electricity where completion dates of assets were incorrectly excluded - Refer to note 38.04	(16 134)
Recognise investment properties previously not recognised up to 30 June 2013 (Depreciation) - Refer to note 38.03	(5 800)
Correction of low voltage network incorrectly unbundled in previous years	(316 354)
Effect on Infrastructure Electricity Network (Accumulated Depreciation up to 30 June 2013) - Refer to note 38.04	(316 354)
Correction of Department of Transport and Public Works account - Refer to note 38.07	(28 183)
Effect on Agency Fees	(7 587)
Effect on Other Revenue	(20 596)
Total	11 897 382

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
40 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	7 365 335	11 897 382
Adjustments for:		
Depreciation and amortisation	8 244 648	7 174 942
Impairments	2 484 188	262 194
(Gain)/Loss on disposal of property, plant and equipment	1 266 201	6 774 616
Contribution from/to employee benefits - non-current	4 486 737	3 863 676
Contribution from/to employee benefits - non-current - expenditure incurred	(949 480)	(917 280)
Contribution from/to employee benefits - non-current - actuarial losses	2 773 662	2 022 024
Contribution to employee benefits – current	3 292 194	4 942 962
Contribution to employee benefits – current - expenditure incurred	(3 584 232)	(3 687 291)
Contribution to provisions – non-current	1 014 517	500 078
Contribution to provisions – bad debt	2 968 851	2 179 110
Bad debts written off	(648 682)	(295 377)
Operating lease income accrued	(4 907)	(15 958)
Grants Received	70 561 513	87 409 293
Grant Expenditure	(67 394 246)	(86 600 439)
Interest Received (Directly attributable to grants)	11 353	25 199
Operating Surplus/(Deficit) before changes in working capital	31 887 654	35 535 133
Changes in working capital	(4 281 364)	(3 643 452)
Decrease in Payables from exchange transactions	561 264	(678 940)
Increase/(Decrease) in Taxes	109 445	(584 062)
(Increase)/Decrease in Inventory	216 513	64 746
Increase in Receivables from exchange and non-exchange transactions	(5 168 586)	(2 445 195)
Cash generated by operations	27 606 289	31 891 681
41 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Floats - Refer to note 22	14 100	12 700
Bank - Refer to note 22	11 393 101	24 549 700
Call Investment and Other Deposits - Refer to note 22	10 000 000	-
Total cash and cash equivalents	21 407 201	24 562 400
42 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Refer to note 41	21 407 201	24 562 400
Cash held in Attorneys' Trust Account - Refer to note 20	-	418 786
Less:	21 407 201	24 981 187
	5 529 399	5 954 146
Unspent Committed Conditional Grants - Refer to note 10	5 529 399	5 954 146
VAT - Refer to note 11	-	-
Net cash resources available for internal distribution	15 877 802	19 027 041
Allocated to:		
Capital Replacement Reserve	15 750 000	16 500 000
Valuation Roll Reserve	-	2 000 000
Resources available for working capital requirements	127 802	527 041
43 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Refer to note 3	807 331	1 079 687
Used to finance property, plant and equipment - at cost	(807 331)	(1 079 687)
	-	-
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-
44 BUDGET COMPARISONS		
In order to comply with the requirements of GRAP 24.12 and GRAP 24.27, all required disclosures are included in pages 7 to 12.		
45 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
45.1 Unauthorised expenditure		
Reconciliation of unauthorised expenditure:		
Opening balance	25 552 730	10 367 490
Unauthorised expenditure current year - capital	7 178 389	15 297 854
Unauthorised expenditure current year - operating	8 293 287	10 254 875
Approved by Council or condoned	-	(10 367 490)
Unauthorised expenditure awaiting authorisation	41 024 406	25 552 730

Incident	Disciplinary steps/criminal proceedings
Over expenditure of approved budget on votes 2013/14	None

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Unauthorised expenditure current year - operating				
Executive and Council	37 323 112	50 587 150	(13 264 038)	-
Budget and Treasury Office	27 511 812	24 854 044	2 657 768	2 657 768
Corporate Services	16 711 752	14 833 056	1 878 696	1 878 696
Community and Social Services	12 573 825	12 394 462	179 363	179 363
Sport and Recreation	6 984 286	8 089 754	(1 105 468)	-
Public Safety	6 601 439	6 235 852	365 587	365 587
Road Transport	9 896 024	9 943 159	(47 135)	-
Electricity	61 943 022	61 246 351	696 671	696 671
Water	12 181 964	11 744 466	437 498	437 498
Waste Water Management	6 911 437	6 633 271	278 166	278 166
Waste Management	11 952 348	10 152 811	1 799 537	1 799 537
Environmental Protection	397 902	512 123	(114 221)	-
Other	2 305 800	2 318 928	(13 128)	-
	213 294 724	219 545 427	(6 250 703)	8 293 287

Expenditure per approved budget	225 195 427
Indigent Subsidies recognised as revenue foregone	(5 650 000)
	219 545 427

	2014 R (Actual)	2014 R (Budget)	2014 R (Variance)	2014 R (Unauthorised)
Unauthorised expenditure current year - capital				
Executive and Council	167 611	-	167 611	167 611
Budget and Treasury Office	832 859	450 000	382 859	382 859
Corporate Services	2 553	7 000	(4 447)	-
Community and Social Services	6 650 961	5 815 993	834 968	834 968
Sport and Recreation	1 179 433	1 251 000	(71 567)	-
Road Transport	9 459 395	9 691 975	(232 580)	-
Electricity	4 164 812	2 035 000	2 129 812	2 129 812
Water	45 098	100 000	(54 902)	-
Waste Water Management	8 150 410	6 775 125	1 375 285	1 375 285
Waste Management	2 501 355	213 500	2 287 855	2 287 855
	33 154 485	26 339 593	6 814 892	7 178 389

45.2 Fruitless and wasteful expenditure

None

45.3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	-	2 037 225
Irregular expenditure current year	1 487 469	-
Condoned or written off by Council	(714 931)	(2 037 225)
Irregular expenditure awaiting condonement	772 538	-

Incident	Disciplinary steps/criminal proceedings	2014 R	2013 R
Premium Computers - Non-compliance with MFMA section 44.	None	247 064	-
Brasika - Services Rendered after contract have lapsed	None	714 931	-
Thusong Centre - Contract extended with more than 20% of tender award.	None	525 475	-
		1 487 469	-

The municipality is still awaiting condonement from National Treasury in terms of Section 170 of the MFMA

45.4 Material Losses

Electricity distribution losses

- Units purchased (Kwh)	71 731 702	70 477 557
- Units lost during distribution (Kwh)	6 203 948	6 999 175
- Percentage lost during distribution	8.65%	9.93%
- Rand Value of Loss	3 346 003	3 163 464

Water distribution losses

- Kilo litres purified	2 322 057	2 363 816
- Kilo litres lost during distribution	523 186	491 619
- Percentage lost during distribution	22.53%	20.80%
- Rand Value of Loss	668 895	604 691

46 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

46.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA CONTRIBUTIONS

Council subscriptions	663 453	545 408
Amount paid - current year	(1 426 816)	(545 408)
Payment in advance (included in note 19)	(763 363)	-

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 R	2013 R
46.2 <u>Audit fees - [MFMA 125 (1)(c)]</u>		
Opening balance	-	-
Current year audit fee	3 021 634	1 984 489
External Audit - Auditor-General Audit Committee	2 960 854 60 781	1 915 763 68 726
Amount paid - current year	(3 021 634)	(1 984 489)
Balance unpaid	-	-
46.3 <u>VAT - [MFMA 125 (1)(c)]</u>		
Opening balance	1 064 441	500 913
Amounts received during the year	(2 510 500)	(1 555 238)
Amounts paid during the year	1 632 528	1 371 915
Amounts claimed - current year	2 383 317	2 144 434
Amounts payable - current year	(1 632 528)	(1 397 582)
Closing balance	937 258	1 064 441
Vat in suspense due to cash basis of accounting	(861 046)	(878 784)
VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.		
46.4 <u>PAYE, SDL and UIF - [MFMA 125 (1)(c)]</u>		
Current year payroll deductions and Council Contributions	9 518 056	8 621 751
Amount paid - current year	(9 518 056)	(8 621 751)
Balance unpaid	-	-
46.5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
Current year payroll deductions and Council Contributions	16 001 736	14 200 324
Amount paid - current year	(16 001 736)	(14 200 324)
Balance unpaid	-	-
46.6 <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 JUNE 2014:		
	Outstanding more than 90 days	Outstanding more than 90 days
None	-	-
46.7 <u>Quotations awarded - Supply Chain Management</u>		
Approved deviations from Supply Chain Management Regulations were identified on the following categories:		
Non Compliance per financial category		
- Less than R 30 000	581 576	1 261 135
- Between R 30 000 and R 200 000	1 668 073	1 432 064
- More than R 200 000	4 322 660	1 613 636
	6 572 309	4 306 835
46.8 <u>Other non-compliance [MFMA 125(2)(e)]</u>		
Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.		
46.9 <u>Trading with employees in service of the state (SCM 44)</u>		
During the year under review, the municipality engaged with the following employees in service of the state.		
<u>Name (State institution)</u>	<u>Supplier name</u>	
J Abrahams (Western Cape: Education)	Khubeka Construction CC	6 214 596
N Eksteen (Denel SOC Ltd)	Premium Computers	231 977
TL Du Toit (Department of Health)	Cape Agulhas Civils	-
C Rhoda (In Service of State)	NCC Environmental Services CC	-
	7 471 990	6 446 574

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

47

CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

GAP Housing
Streets and Stormwater
Upgrading of Welverdiend Library
Thusong Centre
Upgrading of Droë Rivier
WWTW Struisbaai & Sewerage Scheme

Total

This expenditure will be financed from:

Government Grants

2014
R

2013
R

5 457 845 10 042 575

558 684	-
4 402 341	-
496 820	-
-	2 018 699
-	160 512
-	7 863 364

5 457 845 10 042 575

5 457 845 10 042 575

5 457 845 10 042 575

48

FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% (2013 - 0.5%) Increase in interest rates
0% (2013 - 0.5%) Decrease in interest rates

2014
R

2013
R

(134 529) 9 611
- (9 611)

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Receivables comprise of a large number of users, dispersed across different sectors and geographical areas. On-going credit evaluations are performed on the financial condition of these receivables. Credit risk pertaining to receivables are considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2014 %	2014 R	2013 %	2013 R
Rates	27.18%	2 908 273	22.34%	1 838 674
Other	72.82%	7 791 716	77.66%	6 391 371
	100.00%	10 699 989	100.00%	8 230 046

The entity only deposits cash with major banks with high quality credit standing. These banks are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2014 R	2013 R
Long term receivables	324 457	357 052
Receivables from exchange transactions	15 042 831	12 761 827
Receivables from non-exchange transactions	846 816	424 074
Cash and Cash Equivalents	21 407 201	24 562 400
Unpaid conditional grants and subsidies	-	3 603 367
	37 621 305	41 708 721

(e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an on-going review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
2014				
Long Term liabilities - Annuity Loans	238 724	477 180	-	-
Capital repayments	160 467	399 444	-	-
Interest	78 257	77 737	-	-
Long Term liabilities - Finance Leases	157 571	112 152	-	-
Capital repayments	143 318	104 103	-	-
Interest	14 253	8 049	-	-
Provisions - Landfill Sites	2 713 221	-	-	211 987 075
Capital repayments	2 713 221	-	-	21 325 455
Interest	-	-	-	190 661 620
Payables from exchange transactions	5 676 799	-	-	-
Unspent conditional government grants and receipts	5 529 399	-	-	-
	14 315 714	589 332	-	211 987 075
2013				
Long Term liabilities - Annuity Loans	238 724	715 942	-	-
Capital repayments	138 864	559 856	-	-
Interest	99 860	156 086	-	-
Long Term liabilities - Finance Leases	307 272	99 163	-	-
Capital repayments	284 682	96 285	-	-
Interest	22 590	2 878	-	-
Provisions - Landfill Sites	310 511	-	-	219 151 983
Capital repayments	310 511	-	-	21 237 284
Interest	-	-	-	197 914 700
Payables from exchange transactions	4 656 713	-	-	-
Unspent conditional government grants and receipts	5 954 146	-	-	-
	11 467 365	815 105	-	219 151 983

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

49	FINANCIAL INSTRUMENTS	2014 R	2013 R
	In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:		
49.1	Financial Assets		
	Classification		
	Long-term Receivables		
	Loans to organisations - at amortised cost	4 439	10 994
	Individual housing loans	313 463	339 819
	Non-Current Investments		
	Investment in Municipal Entity	45 113	135 260
	Consumer and other Debtors		
	Receivables from exchange transactions	15 042 831	12 761 827
	Receivables from non-exchange transactions	846 816	424 074
	Other Debtors		
	Unpaid government grants	-	3 603 367
	Current Portion of Long-term Receivables		
	Loans to organisations - at amortised cost	6 554	6 239
	Bank Balances and Cash		
	Bank Balances	21 393 101	24 549 700
	Cash Floats and Advances	14 100	12 700
		37 666 418	41 843 980
	SUMMARY OF FINANCIAL ASSETS		
	At amortised cost	37 666 418	41 843 980
49.2	Financial Liability		
	Classification		
	Non-Current Liabilities		
	Annuity Loans	399 444	559 856
	Capitalised Lease Liability	104 103	96 285
	Non-Current Provisions - Landfill Sites	21 325 455	21 237 284
	Current Provisions		
	Current Provisions - Landfill Sites	2 713 221	310 511
	Payables from exchange transactions		
	Trade creditors	3 199 842	1 861 038
	Retentions	1 487 089	1 763 438
	Other Creditors	601 774	662 674
	Deposits	388 094	369 563
	Unspent Conditional Grants, Receipts and other contributions		
	Other Spheres of Government	5 529 399	5 954 146
	Current Portion of Long-term Liabilities		
	Annuity Loans	160 467	138 864
	Capitalised Lease Liability	143 318	284 682
		36 052 205	33 238 341
	SUMMARY OF FINANCIAL LIABILITY		
	At amortised cost	36 052 205	33 238 341
50	EVENTS AFTER THE REPORTING DATE		
	None		
51	IN-KIND DONATIONS AND ASSISTANCE		
	The municipality received a public contribution during the year under review to the value of R 1 290 000. The contribution was fully utilised in the upgrading of electricity infrastructure in the Blue Bay area (Suiderstrand).		
52	PRIVATE PUBLIC PARTNERSHIPS		
	Council has not entered into any private public partnerships during the financial year.		
53	CONTINGENT LIABILITY		
	Council do have the following contingent liabilities at the end of the financial year 2013/14.		
53.01	The Council and DA Civils CC is still in the mediation-/arbitration process flowing from a claim of R3 210 179 (Vat Excl.) that was lodged by the Contractor against the Council due to solid rock digging in accordance with contract DCR 0041. The Contractor also claim interest from September 2004. The total approved amount was R1 064 239 (Vat excl.) from which R825 652 already paid to the Contractor. Council apposes the claim and due to potential legal cost implication, the mediation-/arbitration process is followed in an attempt to settle the claim outside the court. The matter is currently in mediation.		
53.02	The Council is currently party to a court case, case 2226/11 in which Verrewyde Eiensdom BPK instituted a claim of R33 119 510 regarding erf 599 Waenhuiskrans against the Council. Council filed a plea to the original claim. The matter is sub judice and the amount is regarded as a contingent liability until judgement is passed.		

CAPE AGULHAS LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

53.03 A claim was lodged against the council by Spronk and Associates Incorporated for town planning performed on behalf of the municipality. The council opposes the appointment of the consultant due to inappropriate procedures followed during the procurement process. The amount of the claim is R 1 061 099.29

53.04 Labour case is pending between the former Municipal Manager and the Municipality of Cape Agulhas. The judgement was given by the CCMA and the case has been referred to the High Court for finalisation.

53.05 The municipality does not have a permit or license for all of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

53.06 The municipalities of Hessequa, Theewaterskloof, Swellendam and Cape Agulhas have lodged a section 44 dispute regarding the Overberg Water Board Bulk Water Tariffs in respect of the 2014/15 financial year affecting Klipdale and Proteem in the municipal area. Provincial Treasury and SALGA is involved to facilitate the process between the four affected municipalities for recommendation to National Treasury to mediate the process in terms of circular 21.

53.07 Guarantees in favour of the following third parties
- The Post Office - R 50 000

54 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

54.1 Related Party Transactions

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

54.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

54.3 Compensation of key management personnel

The compensation of key management personnel is set out in note 29 to the Annual Financial Statements.

54.4 Investment in Municipal Entity

The Municipality has a 100% shareholding in the Southernmost Development Agency (Soc) Ltd - Refer to note 16

54.5 Other related party transactions

The following purchases were made during the year where Councillors, Management or Employees have an interest:

		2014	2013
		R	R
<u>Councillor/Employee</u>	<u>Entity</u>		
A Rudolph	AC Rudolph (Parent of A Rudolph)	7 900	-
C Leonard and U Hopley	KJ Hopley (Parent of C Leonard and U Hopley)	1 000	-
C Marthinus	T Marthinus T/A Ikhula Enterprises (Spouse of C Marthinus)	-	1 600
D Fredericks	Adonai Funeral Home (Brother of D Fredericks)	22 500	5 800
D Oncke	KJ Jansen (Parent of D Oncke)	1 200	24 504
F Pieterse	F Pieterse (Spouse of F Pieterse)	7 800	-
G Le Roux	PF Hammer (Parent of G Le Roux)	35 600	-
H Damons	Propatria Civil Enterprises (Brother of L Jacobs)	-	414 986
H de Jager	EE De Jager (Brother of H De Jager)	29 401	115 799
H Spandiel	Cape Agulhas Communications (Parent of H Spandiel)	5 726	1 800
J Diedericks	AD Diedericks/Diedericks Construction (Brother of J Diedericks)	50 448	93 527
J Teixeira & L Teixeira	M.A.T Overberg Retailers (Spouses of J Teixeira & L Teixeira)	760	177
W Van Zyl	J Van Zyl (Parent of W van Zyl)	68 449	-
R Marthinus	R Marthinus T/A Kassies Kove Restaurant (Former official)	-	4 425
R Temmers	JJ Temmers (Spouse of R Temmers)	-	2 300
		<u>230 784</u>	<u>664 918</u>

APPENDIX A - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2014

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2013	Correction	Balance at 30 JUNE 2013 Restated	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2014
ANNUITY LOANS									
DBSA	15.00%	B48	30/06/2017	698 721	-	698 721	-	138 810	559 910
Total Annuity Loans				698 721	-	698 721	-	138 810	559 910
LEASE LIABILITY									
Office Equipment				367 130	13 837	380 967	167 611	301 158	247 421
Total Lease Liabilities				367 130	13 837	380 967	167 611	301 158	247 421
TOTAL EXTERNAL LOANS				1 065 850	13 837	1 079 687	167 611	439 968	807 331

APPENDIX B - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2013 Actual Income R	2013 Actual Expenditure R	2013 Surplus/ (Deficit) R		2014 Actual Income R	2014 Actual Expenditure R	2014 Surplus/ (Deficit) R
73 984 992	(48 476 116)	25 508 875	Executive and Council	55 907 304	(37 323 112)	18 584 192
37 888 651	(24 862 208)	13 026 443	Budget and Treasury Office	42 714 390	(27 511 812)	15 202 577
896 354	(20 393 024)	(19 496 670)	Corporate Services	618 294	(16 711 752)	(16 093 459)
4 974 609	(10 154 768)	(5 180 159)	Community and Social Services	6 294 971	(12 573 825)	(6 278 854)
3 992 164	(6 709 336)	(2 717 172)	Sport and Recreation	4 254 403	(6 984 286)	(2 729 883)
2 867 641	(5 448 914)	(2 581 273)	Public Safety	3 454 737	(6 601 439)	(3 146 703)
3 261 349	(13 374 021)	(10 112 672)	Road Transport	212 441	(9 896 024)	(9 683 583)
65 679 676	(57 034 446)	8 645 230	Electricity	71 611 969	(61 943 022)	9 668 948
16 392 143	(10 812 588)	5 579 556	Water	17 163 069	(12 181 964)	4 981 104
6 434 871	(6 101 183)	333 689	Waste Water Management	7 655 607	(6 911 437)	744 170
9 806 279	(8 420 299)	1 385 980	Waste Management	10 772 875	(11 952 348)	(1 179 472)
-	(383 053)	(383 053)	Environmental Protection	-	(397 902)	(397 902)
4 511	(2 115 901)	(2 111 390)	Other	-	(2 305 800)	(2 305 800)
226 183 240	(214 285 858)	11 897 382	Total	220 660 058	(213 294 724)	7 365 335

APPENDIX C (1) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
OPERATING EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2014
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2014 Actual (R)	2014 Budget (R)	2014 Variance (R)	2014 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
EXPENDITURE					
Executive and Council	37 323 112	50 587 150	(13 264 038)	(26%)	Underspending of proposed housing budget.
Budget and Treasury Office	27 511 812	24 854 044	2 657 768	11%	Actuarial losses not budgeted for.
Corporate Services	16 711 752	14 833 056	1 878 696	13%	Loss on disposal of assets not budgeted for
Community and Social Services	12 573 825	12 394 462	179 363	1%	
Sport and Recreation	6 984 286	8 089 754	(1 105 468)	(14%)	Saving on salaries and wages
Public Safety	6 601 439	6 235 852	365 587	6%	
Road Transport	9 896 024	9 943 159	(47 135)	(0%)	
Electricity	61 943 022	61 246 351	696 671	1%	
Water	12 181 964	11 744 466	437 498	4%	
Waste Water Management	6 911 437	6 633 271	278 166	4%	
Waste Management	11 952 348	10 152 811	1 799 537	18%	Impairment of landfill sites not budgeted for.
Environmental Protection	397 902	512 123	(114 221)	(22%)	
Other	2 305 800	2 318 928	(13 128)	(1%)	
Total Expenditure	213 294 724	219 545 427	(6 250 703)		

APPENDIX C (2) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2014
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY & INTANGIBLE ASSETS
GENERAL FINANCE STATISTIC CLASSIFICATIONS

	2014 Actual (R)	2014 Budget (R)	2014 Variance (R)	2014 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
Executive and Council	167 611	-	167 611	0%	
Budget and Treasury Office	832 859	450 000	382 859	85%	Intangible Assets not budgeted for
Corporate Services	2 553	7 000	(4 447)	(64%)	
Community and Social Services	6 650 961	5 815 993	834 968	14%	Over Expenditure on Thusong Centre
Sport and Recreation	1 179 433	1 251 000	(71 567)	(6%)	
Road Transport	9 459 395	9 691 975	(232 580)	(2%)	
Electricity	4 164 812	2 035 000	2 129 812	105%	INEP incorrectly budgeted under operating
Water	45 098	100 000	(54 902)	(55%)	
Waste Water Management	8 150 410	6 775 125	1 375 285	20%	RBIG over expenditure
Waste Management	2 501 355	213 500	2 287 855	1072%	Increase in cost of rehabilitation
Total	33 154 485	26 339 593	6 814 892	26%	

APPENDIX D - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2013	Correction of error	Balance 1 JULY 2013	Grants Received	Interest Received	Paid back to grant provider	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 JUNE 2014
	R	R	R	R	R	R	R	R	R
UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS									
<u>National Government Grants</u>									
Equitable Share	-	-	-	18 057 000	-	-	18 057 000	-	-
Local Government Financial Management Grant	-	-	-	1 300 000	-	-	1 300 000	-	-
Municipal Systems Improvement Grant	-	-	-	890 000	-	-	317 974	572 026	-
Municipal Infrastructure Grant	-	-	-	10 209 000	-	-	1 449 041	8 759 959	-
Regional Bulk Infrastructure Grant (RBIG)	(3 362 502)	-	(3 362 502)	5 558 000	-	-	269 623	1 925 875	-
Skills Development Fund	-	-	-	774 005	-	-	774 005	-	-
National Electrification Programme (INEP)	(240 866)	-	(240 866)	3 200 000	-	-	2 909 732	49 403	-
Expanded Public Works Program	-	-	-	1 000 000	-	-	1 000 000	-	-
Total National Government Grants	(3 603 367)	-	(3 603 367)	40 988 005	-	-	26 077 374	11 307 263	-
<u>Provincial Government Grants</u>									
Library Services	821 359	-	821 359	4 511 330	-	-	3 696 214	915 008	721 466
Proclaimed Road Subsidy	-	-	-	159 000	-	-	159 000	-	-
CDW	94 993	-	94 993	49 200	-	-	58 963	15 000	70 230
Provincial Financial Grant	-	-	-	200 000	-	-	200 000	-	-
Masibambane Programme	67 777	-	67 777	-	-	-	67 777	-	-
RDP Housing Zwelitsha	67 756	-	67 756	-	-	-	-	-	67 756
RDP Housing Phase 4	251 011	(251 011)	-	-	-	-	-	-	-
Thusong Centre	838 708	-	838 708	-	-	-	102 999	735 709	-
Department of Housing	42 148	-	42 148	19 943 681	-	-	16 110 251	-	3 875 578
Department of Housing (GAP Housing)	303 372	-	303 372	1 498 933	-	-	-	1 794 362	7 943
Department of Housing (Basic Services)	799 249	-	799 249	-	-	-	-	649 032	150 216
Department of Agriculture, Forestry and Fisheries	-	-	-	3 000 000	-	-	2 927 961	-	72 039
Mandela Memorial Contribution	-	-	-	100 000	-	-	94 513	-	5 487
Provincial Contribution to the acceleration of housing	2 500 000	-	2 500 000	-	-	-	1 941 316	-	558 684
Total Provincial Government Grants	5 786 371	(251 011)	5 535 360	29 462 144	-	-	25 358 994	4 109 111	5 529 399
<u>District Municipality</u>									
Mandela Memorial Contribution	-	-	-	111 364	-	-	111 364	-	-
Total Other Grants	-	-	-	111 364	-	-	111 364	-	-
<u>Other Grant Providers</u>									
IDC (Pre-Establishment Costs Southernmost Development Agency (Soc) Ltd)	418 786	-	418 786	-	11 353	(407 973)	1 165	21 001	-
Total Other Grants	418 786	-	418 786	-	11 353	(407 973)	1 165	21 001	-
Total	2 601 790	(251 011)	2 350 779	70 561 513	11 353	(407 973)	51 548 897	15 437 376	5 529 399

APPENDIX E (1) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<u>Revenue - Standard</u>								
<i>Governance and administration</i>	106 787	(968)	105 818	99 240	(6 578)	93.8%	92.9%	112 770
Executive and council	64 308	(968)	63 340	55 907	(7 432)	88.3%	86.9%	73 985
Budget and treasury office	41 943	–	41 943	42 714	771	101.8%	101.8%	37 889
Corporate services	535	–	535	618	83	115.5%	115.5%	896
<i>Community and public safety</i>	14 586	1 201	15 787	14 004	(1 783)	88.7%	96.0%	11 834
Community and social services	5 990	1 201	7 192	6 295	(897)	87.5%	105.1%	4 975
Sport and recreation	5 083	–	5 083	4 254	(828)	83.7%	83.7%	3 992
Public safety	3 513	–	3 513	3 455	(58)	98.3%	98.3%	2 868
Housing	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>	193	–	193	212	19	110.1%	110.1%	3 261
Planning and development	–	–	–	–	–	–	–	–
Road transport	193	–	193	212	19	110.1%	110.1%	3 261
Environmental protection	–	–	–	–	–	–	–	–
<i>Trading services</i>	112 749	(4 558)	108 192	107 204	(988)	99.1%	95.1%	98 317
Electricity	74 846	(2 819)	72 026	71 612	(414)	99.4%	95.7%	65 680
Water	19 007	(905)	18 102	17 163	(939)	94.8%	90.3%	16 392
Waste water management	7 462	–	7 462	7 656	194	102.6%	102.6%	6 435
Waste management	11 434	(834)	10 601	10 773	172	101.6%	94.2%	9 806
<i>Other</i>	1	–	1	–	(1)	–	–	5
Total Revenue - Standard	234 315	(4 325)	229 990	220 660	(9 330)	95.9%	94.2%	226 183
<u>Expenditure - Standard</u>								
<i>Governance and administration</i>	88 897	1 377	90 274	81 547	(8 728)	90.3%	91.7%	93 731
Executive and council	50 877	(290)	50 587	37 323	(13 264)	73.8%	73.4%	48 476
Budget and treasury office	24 595	259	24 854	27 512	2 658	110.7%	111.9%	24 862
Corporate services	13 425	1 408	14 833	16 712	1 879	112.7%	124.5%	20 393
<i>Community and public safety</i>	31 849	(5 128)	26 720	26 160	(561)	97.9%	82.1%	22 313
Community and social services	16 846	(4 452)	12 394	12 574	179	101.4%	74.6%	10 155
Sport and recreation	8 511	(421)	8 090	6 984	(1 105)	86.3%	82.1%	6 709
Public safety	6 491	(255)	6 236	6 601	366	105.9%	101.7%	5 449
Housing	–	–	–	–	–	–	–	–
Health	–	–	–	–	–	–	–	–
<i>Economic and environmental services</i>	10 678	(223)	10 455	10 294	(161)	98.5%	96.4%	13 757
Planning and development	–	–	–	–	–	–	–	–
Road transport	10 166	(223)	9 943	9 896	(47)	99.5%	97.3%	13 374
Environmental protection	512	–	512	398	(114)	77.7%	77.7%	383
<i>Trading services</i>	92 076	20	92 096	95 295	3 199	103.5%	103.5%	84 484
Electricity	60 091	1 156	61 246	61 943	697	101.1%	103.1%	57 034
Water	12 599	(855)	11 744	12 182	437	103.7%	96.7%	10 813
Waste water management	7 048	(415)	6 633	6 911	278	104.2%	98.1%	6 101
Waste management	9 908	245	10 153	11 952	1 800	117.7%	120.6%	8 420
<i>Other</i>	2 429	(110)	2 319	2 306	(13)	99.4%	94.9%	2 116
Total Expenditure - Standard	223 500	(3 954)	219 545	213 295	(6 251)	97.2%	95.4%	214 286
Surplus/(Deficit) for the year	10 815	(371)	10 444	7 365	(3 079)	70.5%	68.1%	11 897

APPENDIX E (2) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
Revenue by Vote								
Executive and Council	64 308	(968)	63 340	55 907	(7 432)	88.3%	86.9%	73 985
Budget and Treasury Office	41 943	–	41 943	42 714	771	101.8%	101.8%	37 889
Corporate Services	535	–	535	618	83	115.5%	115.5%	896
Community and Social Services	5 990	1 201	7 192	6 295	(897)	87.5%	105.1%	4 975
Sport and Recreation	5 083	–	5 083	4 254	(828)	83.7%	83.7%	3 992
Public Safety	3 513	–	3 513	3 455	(58)	98.3%	98.3%	2 868
Road Transport	193	–	193	212	19	110.1%	110.1%	3 261
Electricity	74 846	(2 819)	72 026	71 612	(414)	99.4%	95.7%	65 680
Water	19 007	(905)	18 102	17 163	(939)	94.8%	90.3%	16 392
Waste Water Management	7 462	–	7 462	7 656	194	102.6%	102.6%	6 435
Waste Management	11 434	(834)	10 601	10 773	172	101.6%	94.2%	9 806
Other	1	–	1	–	(1)	–	–	5
Total Revenue by Vote	234 315	(4 325)	229 990	220 660	(9 330)	95.9%	94.2%	226 183
Expenditure by Vote to be appropriated								
Executive and Council	50 877	(290)	50 587	37 323	(13 264)	73.8%	73.4%	48 476
Budget and Treasury Office	24 595	259	24 854	27 512	2 658	110.7%	111.9%	24 862
Corporate Services	13 425	1 408	14 833	16 712	1 879	112.7%	124.5%	20 393
Community and Social Services	16 846	(4 452)	12 394	12 574	179	101.4%	74.6%	10 155
Sport and Recreation	8 511	(421)	8 090	6 984	(1 105)	86.3%	82.1%	6 709
Public Safety	6 491	(255)	6 236	6 601	366	105.9%	101.7%	5 449
Road Transport	10 166	(223)	9 943	9 896	(47)	99.5%	97.3%	13 374
Electricity	60 091	1 156	61 246	61 943	697	101.1%	103.1%	57 034
Water	12 599	(855)	11 744	12 182	437	103.7%	96.7%	10 813
Waste Water Management	7 048	(415)	6 633	6 911	278	104.2%	98.1%	6 101
Waste Management	9 908	245	10 153	11 952	1 800	117.7%	120.6%	8 420
Environmental Protection	512	–	512	398	(114)	77.7%	77.7%	383
Other	2 429	(110)	2 319	2 306	(13)	99.4%	94.9%	2 116
Total Expenditure by Vote	223 500	(3 954)	219 545	213 295	(6 251)	97.2%	95.4%	214 286
Surplus/(Deficit) for the year	10 815	(371)	10 444	7 365	(3 079)	70.5%	68.1%	11 897

APPENDIX E (3) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
REVENUE AND EXPENDITURE

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
<u>Revenue By Source</u>								
Property rates	39 103	–	39 103	39 325	223	100.6%	100.6%	34 763
Service charges	103 281	(3 224)	100 057	98 826	(1 231)	98.8%	95.7%	91 847
Rental of facilities and equipment	5 898	–	5 898	5 177	(721)	87.8%	87.8%	5 014
Interest earned - external investments	1 650	–	1 650	1 889	239	114.5%	114.5%	2 050
Interest earned - outstanding debtors	737	–	737	760	23	103.1%	103.1%	637
Fines	1 186	–	1 186	1 400	213	118.0%	118.0%	861
Licences and permits	1 244	–	1 244	963	(281)	77.4%	77.4%	1 036
Agency services	1 230	–	1 230	1 255	24	102.0%	102.0%	1 095
Transfers recognised - operational	62 543	(1 306)	61 237	51 549	(9 688)	84.2%	82.4%	62 888
Other revenue	4 025	–	4 025	4 079	54	101.3%	101.3%	2 279
Total Revenue (excluding capital transfers and contributions)	220 898	(4 530)	216 368	205 223	(11 145)	-4776.5%	92.9%	202 471
<u>Expenditure By Type</u>								
Employee related costs	77 029	(1 518)	75 510	72 810	(2 700)	96.4%	94.5%	68 537
Remuneration of councillors	3 338	–	3 338	3 288	(50)	98.5%	98.5%	3 077
Debt impairment	1 110	–	1 110	2 969	1 859	267.5%	267.5%	2 179
Depreciation & asset impairment	6 775	239	7 014	10 729	3 715	153.0%	158.4%	7 437
Finance charges	277	922	1 199	1 142	(57)	95.2%	412.2%	665
Bulk purchases	50 900	2 425	53 325	54 261	936	101.8%	106.6%	49 044
Contracted services	1 191	(213)	978	1 336	358	136.6%	112.2%	1 127
Other expenditure	82 881	(5 809)	77 072	65 494	(11 577)	85.0%	79.0%	75 445
Loss on disposal of PPE	–	–	–	1 266	1 266	#DIV/0!	#DIV/0!	6 775
Total Expenditure	223 500	(3 954)	219 545	213 295	(6 251)	-5552.3%	95.4%	214 286
Surplus/(Deficit)	(2 602)	(576)	(3 177)	(8 072)	(4 895)	254.1%	310.3%	(11 815)
Transfers recognised - capital	13 417	205	13 622	15 437	1 816	113.3%	115.1%	23 712
Surplus/(Deficit) for the year	10 815	(371)	10 444	7 365	(3 079)	70.5%	68.1%	11 897

APPENDIX E (4) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CAPITAL EXPENDITURE BY VOTE, STANDARD CLASSIFICATION AND FUNDING

Description R thousand	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Capital expenditure - Vote					-	-	-	
Multi-year expenditure					-	-	-	
Sport and Recreation	900	61	961	933	(28)	97.1%	103.7%	70
Public Safety	-	-	-	-	-	-	-	103
Road Transport	7 867	650	8 517	7 685	(832)	90.2%	97.7%	5 999
Electricity	780	-	780	1 028	248	131.8%	131.8%	1 476
Water	-	-	-	-	-	-	-	85
Waste Water Management	8 875	(2 950)	5 926	7 494	1 568	126.5%	84.4%	9 068
Waste Management	-	-	-	-	-	-	-	60
Capital multi-year expenditure	18 422	(2 239)	16 184	17 140	957	105.9%	93.0%	16 861
Single-year expenditure								
Executive and Council	-	-	-	168	168	#DIV/0!	#DIV/0!	14
Budget and Treasury Office	450	-	450	999	549	222.0%	222.0%	628
Corporate Services	7	-	7	3	(4)	36.5%	36.5%	296
Community and Social Services	1 572	3 071	4 643	6 485	1 842	139.7%	412.6%	2 589
Sport and Recreation	1 240	(80)	1 160	246	(914)	21.2%	19.9%	1 018
Public Safety	-	-	-	-	-	-	-	410
Road Transport	1 050	1 228	2 278	1 774	(503)	77.9%	169.0%	2 359
Electricity	1 380	(125)	1 255	3 136	1 881	249.9%	227.3%	452
Water	100	-	100	45	(55)	45.1%	45.1%	8 267
Waste Water Management	50	-	50	656	606	1312.3%	1312.3%	45
Waste Management	214	-	214	2 501	2 288	1171.6%	1171.6%	10 714
Capital single-year expenditure	6 062	4 094	10 156	16 014	5 858	158%	264%	26 792
Total Capital Expenditure - Vote	24 484	1 855	26 340	33 154	6 815	126%	135%	43 653
Capital Expenditure - Standard					-	-	-	
Governance and administration	457	-	457	1 169	712	255.9%	255.9%	938
Executive and council	-	-	-	168	168	#DIV/0!	#DIV/0!	14
Budget and treasury office	450	-	450	999	549	222.0%	222.0%	628
Corporate services	7	-	7	3	(4)	36.5%	36.5%	296
Community and public safety	3 712	3 052	6 764	7 664	900	113.3%	206.5%	4 191
Community and social services	1 572	3 071	4 643	6 485	1 842	139.7%	412.6%	2 589
Sport and recreation	2 140	(19)	2 121	1 179	(942)	55.6%	55.1%	1 088
Public safety	-	-	-	-	-	-	-	513
Economic and environmental services	8 917	1 878	10 795	9 459	(1 335)	87.6%	106.1%	8 358
Road transport	8 917	1 878	10 795	9 459	(1 335)	87.6%	106.1%	8 358
Trading services	11 399	(3 075)	8 324	14 862	6 537	178.5%	130.4%	30 166
Electricity	2 160	(125)	2 035	4 165	2 130	204.7%	192.8%	1 927
Water	100	-	100	45	(55)	45.1%	45.1%	8 352
Waste water management	8 925	(2 950)	5 976	8 150	2 175	136.4%	91.3%	9 113
Waste management	214	-	214	2 501	2 288	1171.6%	1171.6%	10 773
Total Capital Expenditure - Standard	24 484	1 855	26 340	33 154	6 815	126%	135%	43 653
Funded by:					-	-	-	
National Government	13 217	(2 950)	10 267	11 307	1 040	110.1%	85.6%	18 607
Provincial Government	200	3 155	3 355	4 109	754	122.5%	2054.6%	4 778
Other transfers and grants	-	-	-	-	-	-	-	328
Transfers recognised - capital	13 417	205	13 622	15 416	1 795	113%	115%	23 712
Public contributions & donations	-	-	-	-	-	-	-	-
Borrowing	-	-	-	168	168	#DIV/0!	#DIV/0!	44
Internally generated funds	11 068	1 650	12 718	17 570	4 853	138.2%	158.8%	19 896
Total Capital Funding	24 484	1 855	26 340	33 154	6 815	126%	135%	43 653

APPENDIX E (5) - Unaudited
CAPE AGULHAS LOCAL MUNICIPALITY
NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014
CASH FLOWS

Description	2013/2014							2012/2013
	Original Budget	Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
R thousand								
CASH FLOW FROM OPERATING ACTIVITIES								
Receipts					-	-	-	
Ratepayers and other	160 313	(3 155)	157 158	146 824	(10 334)	93.4%	91.6%	140 762
Government - operating	62 543	(4 020)	58 523	55 124	(3 399)	94.2%	88.1%	63 697
Government - capital	13 417	495	13 912	15 437	1 526	111.0%	115.1%	23 712
Interest	2 068	-	2 068	2 660	593	128.7%	128.7%	2 712
Payments					-	-	-	
Suppliers and employees	(220 396)	9 910	(210 486)	(191 298)	19 188	90.9%	86.8%	(198 384)
Finance charges	(277)	(922)	(1 199)	(1 142)	57	95.2%	412.2%	(663)
NET CASH FROM/(USED) OPERATING ACTIVITIES	17 668	2 308	19 976	27 606	7 630	138.2%	156.3%	31 836
CASH FLOWS FROM INVESTING ACTIVITIES					-	-	-	
Receipts					15 260	-	-	
Proceeds on disposal of PPE	-	-	-	-				230
Decrease (increase) other non-current receivables	5	1	6	33	26	522.5%	651.9%	29
Decrease (increase) in non-current investments	-	-	-	(21)	(21)	#DIV/0!	#DIV/0!	(377)
Payments					-	-	-	
Capital assets	(24 484)	(1 855)	(26 340)	(30 731)	(4 392)	116.7%	125.5%	(33 654)
NET CASH FROM/(USED) INVESTING ACTIVITIES	(24 479)	(1 854)	(26 333)	(30 720)	(4 386)	116.7%	125.5%	(33 772)
CASH FLOWS FROM FINANCING ACTIVITIES					-	-	-	
Receipts					-	-	-	
Borrowing long term/refinancing	-	-	-	168	168	#DIV/0!	#DIV/0!	44
Increase (decrease) in consumer deposits	201	(70)	130	231	101	177.4%	115.1%	260
Payments					(8 505)	-	-	
Repayment of borrowing	(400)	131	(269)	(440)	(171)	163.6%	110.1%	(390)
NET CASH FROM/(USED) FINANCING ACTIVITIES	(199)	60	(139)	(42)	97	30.0%	20.9%	(87)
NET INCREASE/ (DECREASE) IN CASH HELD	(7 011)	515	(6 496)	(3 155)	3 341	48.6%	45.0%	(2 022)
Cash/cash equivalents at the year begin:	16 572	7 990	24 562	24 562	0	100.0%	148.2%	26 585
Cash/cash equivalents at the year end:	9 561	8 505	18 066	21 407	3 438	118.5%	223.9%	24 562